

Special



Algeria	6.00	Den.	1.50	France	7.00	Norway	7.00	U.S.	1.00
Argentina	2.00	Finland	1.50	Germany	1.50	Portugal	1.50	Spain	1.50
Australia	2.00	Greece	1.50	Italy	1.50	Sweden	1.50	Switzerland	1.50
Belgium	2.00	Ireland	1.50	Japan	1.50	Taiwan	1.50	U.K.	1.50
Canada	2.00	Israel	1.50	Korea	1.50	Thailand	1.50	West Germany	1.50
Czechoslovakia	2.00	Lebanon	1.50	Luxembourg	1.50	Yugoslavia	1.50		
Denmark	2.00	Malaysia	1.50	Netherlands	1.50				
Egypt	2.00	Philippines	1.50	Norway	1.50				
France	2.00	Saudi Arabia	1.50	Sweden	1.50				
Germany	2.00	Singapore	1.50	Switzerland	1.50				
Greece	2.00	Slovakia	1.50	Taiwan	1.50				
India	2.00	Slovenia	1.50	Thailand	1.50				
Indonesia	2.00	Soviet Union	1.50	U.K.	1.50				
Italy	2.00	Taiwan	1.50	U.S.	1.00				
Japan	2.00	U.K.	1.50	West Germany	1.50				
Korea	2.00	U.S.	1.00	Yugoslavia	1.50				
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West Germany	2.00								
Yugoslavia	2.00								

Herald Tribune

Published With The New York Times and The Washington Post

No. 31,806 **R PARIS, SATURDAY-SUNDAY, MAY 25-26, 1983 ESTABLISHED 1887

U.S. Combat Role May Become Latin Option, Shultz Says

By Bernard Gwertzman
New York Times Service
WASHINGTON — Secretary of State George P. Shultz has warned that if Congress fails to aid the anti-government rebels in Nicaragua, the United States will eventually have to make "an agonizing choice" whether to involve U.S. troops in combat in Central America.

Mr. Shultz has been warning since February that failure to aid the rebels would increase the risk of direct U.S. involvement, but neither he nor any other senior administration official had spoken directly of combat troops before Thursday.

Mr. Shultz said that some critics of the Reagan administration's policy had said "they would favor the military option if all else fails and a real threat comes."

"But by refusing to help the freedom fighters, even with humanitarian aid," he said, "they are hastening the day when the threat will grow and when we will be faced



Seoul Students Maintain Sit-In at U.S. Office

Students peered Friday through the window of the U.S. Information Service Center in Seoul, which they occupied Thursday to protest U.S. support for the South Korean government. The U.S. ambassador, Richard Walker, asked the 70 students Friday to end the sit-in, but little progress was reported. Meanwhile, police fought protesters at five universities who supported the group. Two dissidents, Kim Dae Jung and Kim Young Sam, urged restraint by the students.

Senate Sharply Cuts Reagan's Plan for MX

By Steven V. Roberts
New York Times Service
WASHINGTON — The Senate has approved an amendment that would severely restrict President Ronald Reagan's original proposals for production and deployment of the MX strategic missile.

The 78-20 vote Thursday night followed two days of tense negotiations that ended earlier in the evening when the White House reached a compromise with senators on the huge, multiple-warhead intercontinental missile.

Under the compromise, 50 missiles could be deployed in silos beneath the Western plains that now house Minuteman missiles. Two hundred missiles were provided for in the original MX program proposed by President Jimmy Carter, and 100 were proposed by Mr. Reagan two years ago.

In a statement, Mr. Reagan said the vote represented a show of "bipartisan support" for his administration's program to modernize the country's strategic forces. But most lawmakers from both parties agreed that the compromise contained major concessions by the administration and represented a significant retreat by Mr. Reagan from his earlier positions.

The vote also reflected a growing disenchantment on Capitol Hill with the MX on the ground that it is too costly and vulnerable to attack. The House is expected to impose even stronger restrictions when it takes up the issue next month.

The amendment was added to a \$232-billion military spending bill being debated in the Senate.

Mr. Reagan had sought a compromise with the Democrats when it became obvious that the Senate was on the verge of adopting a more stringent proposal by Senator Sam Nunn, Democrat of Georgia, that would have limited the administration to deploying 40 missiles in fixed silos. Elements of the approved plan include:

- A limit of 50 during fiscal 1986 on the number of missiles that can be deployed in fixed silos.
- The limit on deployment would be strict, rather than the "pause" sought by the president at the outset of the negotiations. The amendment includes a nonbinding expression of sentiment by the Senate that no more missiles can be deployed as long as the administration adheres to its plan for deployment in existing silos.
- A limit of 12 on the number of missiles that can be manufactured during 1986, instead of the 48 that Mr. Reagan originally requested. In addition, the compromise states that between 12 and 21 missiles can be produced during fiscal 1987, but only for use as testing and as spares.

Mr. Nunn, who negotiated the deal with the White House, called it a "victory for national defense."

Senator Robert C. Byrd of West Virginia, the minority leader, said the deal sends "a clear signal to the White House that there will be no more MX missiles, no more, period, until the White House and the Pentagon come up with a biding mode that is mobile and deceptive."

The White House, however, cast the compromise in a more positive light, saying it left the door open for the eventual deployment of 100 missiles.

At a briefing after the compromise was reached, Robert C. McFarlane, the president's national security adviser, described the 50-missile limit as "on the way to 100."

Mr. Nunn, however, said the value of Thursday's agreement was that Mr. Reagan had agreed to a limit on future deployment of the missile.

"He may express it differently, but that's my interpretation," Mr. Nunn said.

■ **Vote to Test Weapons**

The Senate voted Friday, 74-9, to allow three tests in space of an anti-satellite weapon if the president first certifies that testing will not damage negotiations on controlling such weapons. The Associated Press reported.

Earlier, the Senate rejected another amendment to the authorization bill that would continue a moratorium on testing anti-satellite weapons. The vote was 51-35.



Senator Sam Nunn

11 Nations Set Partial Money Pact

By Paul Lewis
New York Times Service
PARIS — Eleven wealthy democracies have agreed on a modest reform of the world's monetary system aimed at promoting greater currency stability, according to officials involved in the negotiations.

The accord would provide for close examination of each other's economic policies in order to bring about such stability, the officials said. It was reached last week at a meeting of high monetary officials at the Bank for International Settlements in Basel, Switzerland.

The purpose of such surveillance, they said, would be to promote overall currency stability by discouraging governments to pay more attention to the interests of their domestic policies with those of other nations. The economic policies of major countries would be subjected to peer review and the members of the group would be allowed to complain about actions that might harm them.

The negotiations were conducted by the Group of 10, the top monetary officials from the 11 leading industrial countries outside the Communist bloc. The members are Belgium, Britain, Canada, France, West Germany, Italy, Japan, the Netherlands, Sweden, Switzerland and the United States. The original 10 were later joined by Switzerland.

The agreement brings to an end talks between these countries on ways of stabilizing exchange rates. The discussions began following the Washington economic summit meeting in 1981.

The reform plan, which still requires final ministerial approval, accepts the present system of floating exchange rates and rules out any return to fixed values in the foreseeable future.

The United States and other ma-

U.S. Envoy in Israel Says Sharon Divulged '82 Plan to Invade Lebanon

By Edward Walsh
Washington Post Service
JERUSALEM — In his final days as U.S. ambassador to Israel, Samuel W. Lewis has reignited a national debate here over former Defense Minister Ariel Sharon's role in planning the 1982 Israeli invasion of Lebanon and the decision to send the troops as far north as Beirut.

On Wednesday, Mr. Lewis confirmed in an interview on Israeli television that, in December 1981, six months before the invasion, Mr. Sharon outlined his attack plans to Philip C. Habib, President Reagan's special envoy for dealing with the Middle East conflict.

"Minister Sharon described in some hypothetical detail the concept for what ultimately I guess was called 'Big Pines,'" Mr. Lewis said, referring to the code name for the Israeli operation to drive the Pales-

time Liberation Organization out of Lebanon and to install a pro-Israeli, Christian regime in Beirut.

"Habib was, as I was and others of us were, rather dumbfounded by the audacity and the political concept that this seemed to involve," Mr. Lewis said.

"And Habib reacted at that point very vehemently," he added. "He made it extraordinarily clear to Sharon that this was an unthinkable proposition as far as the U.S. government was concerned."

Mr. Sharon, now minister of industry and trade, was quoted Thursday as having called the ambassador's description of the meeting with Mr. Habib "a gross lie."

The afternoon newspaper Yedioth Aharnon quoted Mr. Sharon as having said:

"It's too bad that in his final, official appearance the American



Ariel Sharon

Amal Appears Near to Capturing Sabra and Chatila

Compiled by Our Staff From Dispatches
BEIRUT — Shiite Muslim forces closed in Friday on a small group of Palestinians in the Sabra and Chatila refugee camps, and they assaulted another complex that is the last guerrilla stronghold in Beirut.

"It's a big battle," a Palestinian spokesman said by telephone from the Borge Barjani camp in southern Beirut. "It looks like they're trying to storm in. Our fighters are holding."

The reform plan, which still requires final ministerial approval, accepts the present system of floating exchange rates and rules out any return to fixed values in the foreseeable future.

The United States and other ma-

Reagan's SALT Choices Include Noncompliance

By Robert C. Toth
Los Angeles Times Service
WASHINGTON — Three of four options to be presented to President Ronald Reagan next week will call for an end to American compliance with one or both U.S.-Soviet strategic arms limitation agreements, according to a senior administration official.

Such moves would be in response to Soviet violations, the official said Thursday.

The fourth option, the official said, would be to delay a decision on compliance until next year's end, when the second treaty, SALT-2, technically expires. The source spoke on the condition that he not be identified.

While Mr. Reagan could choose to accept any of the options, or reject them all, top administration officials view his decision on the accord, which forms the basis of the U.S.-Soviet strategic arms control relationship, as the year's most important arms control issue.

The president must report to Congress on the matter by June 1.

The approach most favored by the administration bureaucracy, but not necessarily by Mr. Reagan and his top advisers, is to observe only those provisions of the accord that Moscow also observes, the official said.

The SALT-2 treaty has never been ratified by the U.S. Senate, but the Reagan administration, like the Carter administration before it, has agreed to abide by its provisions.

The Soviet Union has already "signaled a willingness to continue with this policy of interim restraint," the senior official said.

The immediate effect of a U.S. decision to end compliance would be to sanction the withdrawal from service, rather than the scrapping, of a 16-missile Polaris submarine in order to stay within limits for multiple-warhead missiles. SALT-2

Parliament Bars Iceland N-Arms

Reuter
REYKJAVIK — The parliament of Iceland, a member of the North Atlantic Treaty Organization, unanimously approved a resolution Friday to make the country a nuclear-free zone.

The resolution banned the deployment of nuclear weapons on land, in territorial waters and in Icelandic airspace. Last month, the government banned nuclear-armed warships from its ports and territorial waters.

"This decision means that as a sovereign state we must make sure nuclear weapons are never brought to Iceland, neither in times of peace nor war," said Foreign Minister Geir Halldorsson after the vote in the Althing, or parliament.

Paradox of South African Gold

Source of Riches for Some Illuminates Poverty of Others



A South African gold miner.

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Pentagon Rewards Arms-Maker Overruns

By Charles Mohr
New York Times Service
WASHINGTON — Large increases in U.S. military spending have long failed to bring comparable gains in the number of weapons delivered to the armed services. Some critics of Pentagon practices believe the solution lies in changing the basic incentives that influence those who buy and make weapons.

There appears to be a growing consensus among such critics that the Defense Department's business practices are based on an inverted system of rewards and punishment.

Those incentives tend to reward, rather than penalize, cost increases in a tank or airplane. They also encourage uninformed procurement officers to put a far higher priority on gaining congressional approval to begin a new weapon program than on controlling prices.

The remedies most often discussed for overhauling the weapon procurement system are greater competition in the military industry, better preparation and supervision of contracts and more realistic planning by the Pentagon.

But serious obstacles to achieving those goals will remain unless entrenched values at the Defense Department and contracting businesses are changed.

"The Department of Defense stands the way we normally buy things in the United States on its head," said Michael R. Burns, lobbyist for Business Executives for National Security, a 3,000-member organization that is seeking a freeze in military spending.

Many Pentagon contracts call for paying the manufacturer for its actual costs plus a profit calculated as a percentage of those expenditures.

If makers of weapons or military equipment can document their direct expenditures on production and their indirect overhead costs to the satisfaction of contract officers and program managers at the Pentagon, they are reimbursed. Their profit is calculated on the basis of those

expenditures, a formula enshrined in the Armed Forces Procurement Manual.

"We are not buying airplanes; we are buying the contractor's costs," said A. Ernest Fitzgerald, who was discharged by the Air Force in 1969 for exposing a huge cost increase in the C-5A cargo plane.

Stanley A. Weiss, chairman of American Minerals Inc. and the president of Business Executives for National Security, told the House Budget Committee in March that the practice inevitably led to higher costs because "everything will be reimbursed if it can be documented as a cost."

In the more competitive world of private industry, Mr. Weiss argued, buyers are uncon-

cerned about the seller's costs and shop for the best price.

Even though many contracts are described officially as fixed-price agreements, the reality is often different, according to investigators and analysts. Contracts are modified in a variety of ways to permit the manufacturer to receive additional payments. One technique is to initiate engineering changes in an item so that the contract can be rewritten.

A persistent pattern has developed in which a supplier wins a contract by submitting an unrealistically low bid with the expectation of recouping after production begins. That practice benefits both the contractor and the armed services because the lower price tag encourages Congress to authorize the weapon program.

Those are the main reasons why the nation has been unable to control the unit price of weapons for more than three decades. That inability has frustrated the United States' aim of

creating larger forces fully equipped with modernized equipment.

It explains why, despite the Reagan administration's huge increase in military spending, deliveries of first-line fighter planes have decreased 11 percent since the last years of the Carter administration, according to Senator Charles E. Grassley, an Iowa Republican who has become a vociferous critic of Pentagon practices.

In theory, buying larger numbers of weapons and equipment should lead to lower unit costs for each item because of more efficient production rates. But the Reagan administration has found that it has increased expenditures without greatly increasing inventories, with costs rising more rapidly than officials had estimated.

The uninformed and civilian workers involved in acquiring military items have not been encouraged in recent decades to view controlling prices as a major goal.

Defense Department officials recently have been the scene of meetings on "program execution," according to several Pentagon officials, but that phrase does not denote efforts to improve administration of contracts.

"It means," an official said, "that everybody is being urged to obligate and spend appropriated funds as quickly as possible, just in case Congress starts thinking of cancellations."

Congress and ordinary citizens have understood that prices for spare parts for weapon systems are too high because anyone can see that a simple nylon cap for an airplane stool need not cost \$1,100, or a toilet seat \$600.

Yet there is concern that the public will conclude that those cases are mere aberrations that have little impact on the total military budget.

That conclusion would be wrong, said Tom Amble, former director of the Navy's China Lake, California, weapons laboratory, who helped build the highly capable Sidewinder air-to-air missile. "The truth is that everything

Bomb Death of 4 Provokes Angry Dublin-Belfast Exchanges

Compiled by Our Staff From Dispatches

BELFAST — An IRA bombing that killed four Ulster police officers this week has heightened a dispute between the police forces of the Irish Republic and Northern Ireland, leading to an exchange of complaints.

Observers say the worsened relations threaten to hamper cooperation between the two forces in fighting cross-border attacks by the Irish Republican Army.

The conflict comes at a sensitive time, with talks under way between Dublin and London over a new political formula aimed at ending 15 years of civil strife in Northern Ireland. The formula could include some sort of joint security role.

The rift traces back to an incident in 1982, when contacts between the chiefs of the police forces in the republic and the North broke down.

The dispute was exacerbated Tuesday when Northern Ireland police issued a

statement saying they believed that the men and explosives used in the attack Monday that killed four officers had come from across the border.

The Irish Republic police, in an unprecedented move, issued a counterstatement saying there was no evidence for the charge.

The Dublin statement expressed disappointment over the claim by the North, which it described as pure speculation. That is not the language of cooperation and mutual concern, it declared.

Dublin accused the Royal Ulster Constabulary of seeking to use the news media to point the finger at police in the republic for allegedly not doing enough to combat terrorism.

Dublin said "misunderstandings of the past few days" between the two forces should be recognized for what they were, and that both forces should be allowed to continue their cooperation "in an effective and professional way."

It made no reference to a call by Sir John Hermon, police chief in Northern Ireland, for a meeting with Lawrence Wren, the republic's police chief, and other officials. Britain's domestic news agency, Press Association, said prospects for such meetings seemed slight.

Some specialists on Irish affairs saw the North's statement as an attempt by Sir John to put pressure on his counterpart in Dublin for talks on strengthening security cooperation.

In 1982, regular contacts between the two police chiefs broke down when police in the North briefly detained a man who was to have given evidence in an assault case against a relative of the Irish justice minister at the time, Sean Doherty.

The London Times said Tuesday that the IRA bomb attack on Monday "highlighted the breakdown in relations between senior police officers in the North and the Republic."

The bomb destroyed an armored Royal Ulster Constabulary patrol car a few yards from the border. The explosion, near the town of Newry, killed three policemen and a police woman. The IRA claimed responsibility.

The Irish Republican Army is fighting to drive the British from Northern Ireland. It wants to unite the predominantly Protestant province with the overwhelmingly Catholic Irish Republic after overthrowing the political establishment in Dublin.

Guerrillas operate on both sides of the loosely guarded border, often fleeing back to the republic after attacks in the North.

As the violence persists, Britain and Ireland are pursuing a dialogue over a new political formula, but a meeting of Prime Minister Margaret Thatcher and Prime Minister Garret FitzGerald on the problem will not take place until fall at the earliest, Agence-France Presse reported Friday, quoting government sources.

The officials said that both sides wanted a meeting only if assured of success. They said the meeting, originally announced for the first of the year and then postponed until summer, could be put off altogether.

At a conference of his Fine Gael Party last weekend, Mr. FitzGerald insisted on "radical action by the British Government with the Irish government to end the alienation of the Northern Ireland nationalist minority."

As evidence of such "alienation" felt by Catholics, Mr. FitzGerald cited the success of Sinn Féin, the political arm of the IRA, in May 15 local elections.

Informed sources told AFP that the Irish and British governments had looked at several possibilities for cooperation: closer ties between courts in certain jurisdictions, economic links and cooperation in security matters.

No results have been announced yet. (AP, Reuters, AFP)

WORLD BRIEFS

Punjab Requests Reinforced Security

NEW DELHI (AP) — Authorities in Punjab state, expecting an escalation in sectarian violence early next month, have requested additional paramilitary forces. The state police chief was quoted as saying Friday.

Sikhs in the northern state are planning to observe June 1 to 7 as "massacre" week to commemorate the army attack on the Golden Temple in Amritsar a year ago. Hundreds of Sikhs and soldiers were killed in the assault to dislodge suspected Sikh terrorists from the now-revived Sikh shrine.

The United News of India, reporting from the state capital of Chandigarh, quoted the police chief, K.S. Dhillon, as saying that violence was expected in certain Hindu-dominated areas. He declined to say how many additional troops were requested, but he said no curfew was planned in the city. But the police declared curfews in two other Punjab towns after Hindu-Sikh clashes and other violence blamed on Sikhs, the news agency said.

Soviet Dissident Is Allowed to Leave

VIENNA (AP) — Irina Kristi, a Soviet peace activist and friend of Andrei D. Sakharov, arrived Friday with her family on a flight from Moscow after unexpectedly being allowed to leave the Soviet Union.

Mrs. Kristi, 47, said she had been trying to leave her homeland for several years. She was accompanied by her husband, Sergei Gienkin, 51, and their son Grigori, 3. She said they hoped to settle in the United States.

Talking of Mr. Sakharov, a physicist and dissident, she said, "We have real grounds to believe that on the 16th of April, Sakharov was on hunger strike. . . . He was taken to the hospital on the 21st and forced, and I have reasons to believe that he was on hunger strike at least until the 3d of May."



Irina Kristi

New Zealand to Delay Nuclear Laws

WELLINGTON, New Zealand (AP) — Prime Minister David Lange said Friday that the government would delay introducing legislation that formalizes its ban on nuclear warships, partly because the bill might be seen as being anti-American.

The prime minister said the bill probably would not be introduced before July. He said that U.S.-New Zealand relations had "settled down into a sensible, working relationship."

The Labor government decided earlier this year not to allow nuclear-powered or nuclear-armed warships into its harbor, putting a strain on relations with the United States. Earlier this week, Mr. Lange canceled a meeting with the U.S. secretary of state, George P. Shultz. Mr. Lange said that U.S. officials told him that Mr. Shultz would not have time to discuss the tripartite alliance of Australia, New Zealand and the United States.

Trial in Pope Shooting Opens Monday

ROME (AP) — Sergei I. Antonov, the Bulgarian charged in Rome with plotting to kill Pope John Paul II, is to go on trial here Monday.

Mr. Antonov, 36, was indicted 18 months after the assassination attempt on May 13, 1981, and has spent nearly three years under arrest awaiting trial.

Mehmet Ali Agca, the Turk sentenced to life imprisonment for shooting the pope, charged after his conviction that he was assisted by Mr. Antonov and two other Bulgarians no longer stationed in Rome. The two others, both Bulgarian Embassy employees, left Italy before Italian police arrested Mr. Antonov on Nov. 25, 1982. Bulgaria has refused to extradite them.

Partial Response to Argentine Strike

BUENOS AIRES (UPI) — A call for a general strike, on Thursday against government austerity measures drew a partial response and the labor action ended peacefully.

Schoolteachers, bus drivers, train workers and many white-collar employees stayed on their jobs, while major industries located around the city closed.

Strikers, some of them beating huge drums, marched and took hired buses and public transportation to a protest rally in the capital's Plaza de Mayo, in front of the presidential palace. Local news agencies estimated the crowd at between 70,000 and 200,000.

For the Record

Sudan's former first vice president, Omar Mohammed Tayih, is to be tried for alleged involvement in the recent deaths of several thousand Ethiopian Jews to Israel via Khartoum, the Sudan News Agency reported.

South Africa proposed talks with Angola on Friday to discuss the return of a South African soldier captured in Angola three days ago.

The smallest of six surviving septuplets born to Patricia and Sam Frustaci, a one-pound (450-gram) boy, died Friday in Orange, California, of complications from his premature birth.

Nigeria's expulsion of illegal immigrants was ending Friday, Radio Nigeria said in broadcasts monitored in Abidjan, Ivory Coast. Reports from neighboring countries indicated that no more than 200,000 of the immigrants, put at 700,000 by Nigeria, had left.

The trial of three Solidarity leaders in Poland was postponed Friday when one defendant, Adam Michnik, became ill. A judge ruled in Gdansk that hearings should be put off until June 3.

(Reuters)

Shamir Urges Pardon For Accused Settlers

Compiled by Our Staff From Dispatches

JERUSALEM — Foreign Minister Yitzhak Shamir vowed Friday to press the Israeli government to pardon 25 Jewish settlers accused of attacks on West Bank Arabs, referring to the settlers as "basically good boys."

Prime Minister Shimon Peres has resisted pressure to pardon the 25 before their trial is completed, and some observers have said that the dispute could jeopardize the coalition government.

The pressure, particularly from the rightist Likud bloc and Jewish settlers, has been heavy since the release Monday of 1,150 Arab prisoners, including 76 convicted murderers, in exchange for three Israeli soldiers captured in Lebanon.

"There's no connection, heaven forbid, between boys who erred but who are basically good boys who've done much for the nation, and on the other hand, terrorists, enemies, murderers," Mr. Shamir told Israeli Army Radio.

"But there is some sort of link," he said. "The trial is nearing its end, and several of them have already been convicted. The time has come to finish off this issue and bring greater unity and peace to the nation."

Mr. Shamir was prime minister in April 1984, when the settlers were arrested for acts of anti-Arab violence. Their trial began in September.

The charges include maiming two West Bank mayors in 1980, killing three Islamic students in Hebron in 1983 and planting bombs on Arab civilian buses. Nine of the settlers have pleaded guilty or have been convicted.

Abba Eban, a former foreign minister, interviewed Thursday on British television, said the issue could threaten the ruling coalition. "If we accept Mr. Peres's definition that he cannot yield in this, then the coalition is in danger," he said.

Mr. Shamir said the Likud bloc would "do everything" to win a pardon for the settlers, noting that it had a majority in the government.

Mr. Peres and most Labor ministers have stopped short of taking a

position on whether the Jewish suspects should be freed before the trial ends, probably by mid-June. Anger over the release of the Arab prisoners remained high among many Israelis, particularly in the West Bank and Gaza. On Thursday, settlers forced two Palestinian among those set free inside Israel and the occupied territories to flee to Jordan.

General Amnon Lipkin, who is in charge of West Bank security, described the situation Friday as explosive. He added: "The settlers are determined to lay down the law."

A delegation from the council for Jewish settlements told him earlier that it could not be held responsible if the freed Arab prisoners were harassed.

Meanwhile, the army said Friday in Tel Aviv that Israeli forces had uncovered a radical Palestinian guerrilla group in the occupied West Bank, arresting 30 suspects and demolishing five homes belonging to members of the group.

An army statement said the group was based in Ramallah and was responsible for killing an Israeli soldier there last February.

(UPI, Reuters, AFP)



At a protest in Jerusalem, an American boy now settled in the Israeli-occupied West Bank holds a poster calling for the release of the Jewish settlers on trial for terrorism.

U.S. Envoy Says Sharon Divulged Invasion Plans

(Continued from Page 1)
ambassador didn't feel the need to tell the truth and express remorse over the fact that he, together with Philip Habib and Draper here, and Velozes in Washington, were the cornerstones of the failure in Lebanon.

The others referred to by Mr. Sharon were Morris Draper, an assistant to Mr. Habib, and Nicholas A. Velozes, then assistant secretary of state.

When Israel invaded Lebanon June 6, 1982, the official announced purpose was to destroy PLO guerrilla bases in the southern part of the country.

Mr. Lewis's account of the December 1981 meeting between Mr. Sharon and Mr. Habib was not new. But it marked the first time that it had been confirmed by a senior U.S. official. A detailed description of the meeting, said to have taken place on Dec. 5, was

provided by Zeev Schiff, military editor of the newspaper Haaretz, and Ehud Yaari, Israel affairs correspondent for Israel television, in their book, "Israel's Lebanon War."

Mr. Lewis, ambassador since 1977, will leave May 31.

Paper Gives Account of Talk

The Israeli paper Davar added details of what it said was the conversation between Mr. Sharon and Mr. Habib, in a report from Washington. United Press International reported from Jerusalem.

Davar, citing sources in Washington but not giving their names, said Mr. Sharon had sketched to Mr. Habib a rapid 48-hour strike that would expel "50,000 armed terrorists" and make Bashir Gemayel the president of Lebanon.

Under Mr. Sharon's plan, there would then be elections and Mr. Gemayel, leader of Maronite

Christians in Lebanon, would become chief of state. Mr. Gemayel was assassinated after he was elected president but before he took office.

"You frighten me," Mr. Habib said. "What will you do with the 100,000 Palestinians?"

"We shall deliver them to the Lebanese," Mr. Sharon answered.

U.S. Responds to Sharon

The U.S. State Department

strongly objected Friday to Mr. Sharon's assertions that U.S. officials had not objected in late 1981 to his plans to invade Lebanon. The Associated Press reported from Washington.

A State Department spokesman, Edward P. Djerejian, confirmed Mr. Lewis's account that Mr. Habib told Mr. Sharon that his plans for a massive invasion were "unthinkable."

11 Industrial Nations Agree On Modest Money Reforms

(Continued from Page 1)

Participants acknowledged that greater currency stability was needed for economic recovery and that they should coordinate their domestic economic policies more closely.

But the plan reflects continuing disagreement on a number of issues, including the ability of governments to set foreign-exchange rates, the need for more liquidity to help developing countries cope with their debt crises and the role that public can play in encouraging governments to change their economic policies.

The accord on monetary revision falls short of an ambitious blueprint proposed by the negotiating group's chairman, Lamberto Dini, the deputy governor of Italy's central bank. He proposed the creation of an international committee to oversee economic policy-making and the publication of regular assessments of what governments are doing.

The present agreement grew out of widespread grumbling about high interest rates in the United States and the strength of the dollar, which many countries believe could have been avoided if the Reagan administration had adopted a policy mix that included a tighter fiscal stance.

The agreement is expected to be formally approved next month when the Group of 10 finance ministers meet in Tokyo. Before going into effect, the plan also will be discussed with representatives of the developing world at an October meeting of the International Monetary Fund's governing interim committee in Seoul.

The basic aim of the agreement is to provide closer "multilateral surveillance" over the economic policies of the world's major countries by the members of the Group of 10 and the IMF, according to officials participating in the negotiations. They discussed the accord on condition that they not be identified.

The agreement, they said, would provide greater international control over major countries' policies in these three ways:

• Jacques de Larosiere, managing director of the IMF, would urge all countries to adopt policies to promote monetary stability during the IMF's annual examination of their economies under Article 6 of the IMF rules. In the case of a disagreement during this examination, the IMF managing director could ask for a confidential explanation from the finance minister of the country concerned.

• The IMF would add a chapter to its annual review of the world economy, critically examining the likely effect of policies pursued by members of the Group of 10.

• Finance ministers and central bank governors in the Group of 10 would review the conclusions of this chapter during preparation, so they would have an opportunity to discuss the wider implications of their policies.

Their discussion would be confidential, but the agreement provides for the chairman of the meeting to prepare a summary of what was said about the "appropriateness" of the various members' economic policies.

The agreement does not specify whether the chairman's summary should be published.

New Mini-Airport Is Approved for London

The Associated Press

LONDON — A mini-airport in London's East End dock area, six miles and a 20-minute taxi ride from the financial center of London has been approved by the government.

The airport, approved Thursday, will be the first entirely new one to be built in Britain since World War II.

Brymon Airways, a British commercial carrier that made test landings and takeoffs from the site two years ago with a 50-seat Canadian aircraft, said the airport will cut by 20 percent to 40 percent the travel

time to other British and West European cities. Airlines have already made route applications for services to Paris, Amsterdam, Brussels, Rotterdam and Frankfurt.

Heathrow, London's main airport is 15 miles (24 kilometers) to the west and Gatwick Airport is 30 miles to the south.

The airport will be called Stansted, for short takeoff and landing aircraft, or STOL, which need a runway only 2,500 feet (762 meters) long.

Aircraft were expected to be operating by 1987 from the 90-acre (36-hectare) site at Newham between the disused Royal Albert and King George V docks. A rail link is planned.

John Mowlem, the major construction company involved, plans to spend £15 million (\$18.7 million) developing the airport, which it will own and operate.

The environment secretary, Patrick Jenkin, told the House of Commons that he had approved the airport despite objections that it will inflict noise on more than 40,000 people living under the flight paths.

The airport would be closed at night and operate only part of Sunday and public holidays.

Shiites Close In on 2 Palestinian Camps

(Continued from Page 1)
tunian leaders rejected a cease-fire sponsored by Vice President Abdul Halim Khaddam of Syria.

Amal wanted the guerrillas in Beirut to turn over their weapons to the 6th Brigade, which would control security in the camps.

The pro-Syrian Palestinians said they wanted Amal to withdraw from the camps and have the militia of Walid Jumblatt, a Druze leader, police the cease-fire.

The Palestinians believe the

Druze would be more even-handed than the 6th Brigade.

On Friday, Palestinian gunners in the Druze-controlled hills east of Beirut fired shells and rockets at Shiite militia positions and into Moslem areas of the capital for a third day, Beirut radio reported.

Amal officials said 12 shells exploded around Mr. Berri's home in West Beirut, but they said he was not hurt, they said.

Meanwhile, several diplomatic efforts were under way to end the Beirut fighting.

The foreign ministers of Libya and Morocco arrived in Damascus Friday for talks on ending the conflict. Arab diplomatic sources said. The ministers were carrying letters

from their leaders to President Hafez al-Assad of Syria, the official Syrian news agency SANA reported.

Foreign Minister Giulio Andreotti of Italy was due to have talks in the Syrian capital after having met earlier in Beirut with President Amin Gemayel of Lebanon.

Mr. Andreotti is current president of the European Council of Ministers, and he expressed Europe's concern over the fighting.

In New York, the United Nations Security Council expressed its "serious concern" Friday at the Beirut fighting and appealed for restraint "to alleviate the sufferings of civilians."

(AP, UPI, Reuters)

Controllers' Walkout Strands Air Passengers in Netherlands

Reuters

AMSTERDAM — Thousands of air passengers were stranded in the Netherlands on Friday after air traffic controllers stopped work in a pay dispute, halting scheduled flights in and out of the country. All major airports were closed.

A court in Haarlem, hearing an emergency case brought by the Transport Ministry to try to force the controllers back to work, was to give a ruling on Saturday.

The ministry and unions representing the controllers also agreed to submit the dispute to arbitration during the coming week. The controllers have demanded raises of up to \$700 a month.

It was not immediately clear when the controllers, whose action was not officially supported by their unions, would return to work. The controllers were acting unofficially and no recognized spokesmen were available.

As civil servants, the controllers are barred by law from striking. Instead, most of them called in sick.

Schiphol Airport in Amsterdam was in "organized chaos" as many thousands of passengers were

turned away and incoming flights diverted to Brussels and West German airports, a Schiphol spokesman said. Beek Airport in the southern part of the country and Zesthoven Airport in Rotterdam also halted all flights.

Prime Minister Ruud Lubbers called the controllers' action "absolutely indefensible."

CHURCH SERVICES

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AMERICAN CATHEDRAL IN PARIS, 23 Ave. George-V, 75008 Paris. The Very Rev. James R. Leo, Dean. Mass: George-V or Aurore-Marcus. Sundays: 9 a.m., 11 a.m. Church closed and masses 7 p.m. Weekdays 12 noon. Tel.: 720.17.92.

CENTRAL BAPTIST CHURCH, 13 Rue du Vauvroux, 75004 Paris. Mass: 10-45. 56 Suppl. Sunday worship in English 9:45 a.m., Rev. A. Somerville. Tel.: 607.67.02.

PARIS SUBURBS

EMMANUEL BAPTIST CHURCH, Rue de Valenciennes, English speaking, all denominations. Bible study 9:45, worship 10:45. 56 Rue Basse-Belleville. Tel.: 749.15.29.

MONTREUIL

1st Fellowship, 9 rue L. Nottel. Sunday Bible hr. (all ages) 9:45 a.m. Worship 11-8 p.m. Tel.: 255.51/2531.15.

EUROPE

UNITARIAN-UNIVERSALIST, worship and activities in Europe. Contact EUU, Steve Dick, Sieringstraat 20, 1271 NC Muzen, The Netherlands. Tel.: (+31) (0) 2152 55073.

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Boys in Norway Penetrate Paper With Computer

Reuters

OSLO — Two boys of 13 said Friday that they had placed a false wedding announcement in a Norwegian newspaper by breaking into its computer system with a home computer.

They said the name of one of the "betrothed" they put in the announcement was that of their teacher.

Once into the computer system, they could have changed anything in the paper, Oestendengen, the boys said.

The editor of the Eidsvold newspaper, Thor Solberg, said he had not realized newspapers with computerized production could be so easily penetrated.

"But I have to admit we've been caught with our trousers down," he said.

UPK 1001 SA

New U.S. Bill Would Delay Legalization Of Aliens

By Robert Pear
New York Times Service

WASHINGTON — Senator Alan K. Simpson has introduced a new version of his comprehensive immigration bill that would delay the granting of legal status to illegal aliens until after the United States had better control of its borders.

The action on Thursday was the third time in four years that Senator Simpson, a Republican of Wyoming, had introduced a bill to overhaul the nation's immigration laws and curtail the influx of illegal aliens.

There was, however, no sponsor for the new bill in the House. Representative Romano L. Mazzoli, a Democrat of Kentucky, who has led the campaign for the bill in the House, did not attend Senator Simpson's news conference Thursday and was silent on his intentions.

The new Simpson bill differs in several major respects from the legislation passed twice by the Senate and once by the House. Under earlier versions of the bill, amnesty for illegal aliens would have taken effect about the same time as penalties for employers who hired illegal aliens.

The new bill would not offer legal status to illegal aliens until a presidential commission certified that the employer penalties were reducing the illegal entry of aliens into the United States and the employment of illegal aliens. It was not clear how the commission could make such a determination because the government has no reliable way of counting illegal aliens.

A special U.S. commission that studied the immigration question estimated that, as of 1978, there were already 3.5 million to six million persons illegally in the United States, and the problem has steadily grown since then.

Mr. Simpson said he thought the legalization program could start within a year after the bill was passed. But he said it was necessary to make the program contingent on improved enforcement because otherwise it "would cause a tremendous stimulus to further illegal entry" by aliens.

Many conservatives have criticized the amnesty proposal on the ground that it would reward lawbreakers. The senator said he wanted to "assure the American public that legalization will not cause" additional flows of illegal aliens.

Passage of the bill appears likely in the Senate, which approved earlier versions of the legislation, in 1982 and 1983, by margins of more than 4-10. But the outlook is uncertain in the House, which approved the measure by a vote of 216 to 211 last June.

The Simpson bill would prohibit employers from hiring illegal aliens. An employer convicted on a first offense of hiring illegal aliens would be subject to civil penalties ranging from \$100 to \$2,000 for each illegal alien. The maximum penalty on employers for a "pattern or practice" of violations would be \$10,000 for each alien.

Joseph M. Trevino of the League of United Latin American Citizens and Richard Fajardo of the Mexican-American Legal Defense and Educational Fund opposed the bill. They said the employer sanctions would probably be ineffective and that, as a result, Hispanic people would not get the benefit of a legalization program.



CLOWNING AROUND — Passengers on a New York City subway train are treated to the antics of clowns from the Ringling Bros. and Barnum & Bailey circus.

AMERICAN TOPICS

Twice the Turf Of a U.S. Senator

Every U.S. state has two senators but the six smallest in population — Alaska, Delaware, North Dakota, South Dakota, Vermont and Wyoming — have only one member each in the House of Representatives. Unlike the rest of the 535 members of Congress, each of these six congressmen-at-large represents an entire state. They all agree that this makes them big frogs in small ponds at home, but small frogs in the big pond of Washington.

"You can get more attention" at home, said James M. Jeffords, a Vermont Republican, noting that recognition throughout the state makes the solo House seat a ready stepping stone for the governorship or the U.S. Senate. "If you're from New York City [which has 19 representatives in Congress] you have to punch the mayor in the nose to get a headline."

In the House, at-large representatives get few choice committee assignments. "You don't have much of a cheering squad," Byron L. Dorgan, a North Dakota Democrat, told the New York Times. "It's especially lonely when you have a controversial issue."

But the six lone wolves never have to chase around to see how other representatives from their state are voting. Thomas A. Daschle, a South Dakota Democrat, said, "You meet your delegation every time you get up in the morning."

Short Takes

Henry W. Maier is the country's longest-tenured big city mayor, with 25 years of naming Milwaukee. Mr. Maier, 67, a Democrat, is a pioneer in enabling cities to share federal revenue. His 25 years in office surpass the 24 served by a Milwaukee predecessor, Daniel W. Hoan, and by Atlanta's mayor, William B. Hartsfield, or the late Richard J. Daley's 22 years in Chicago, but are well short of the 41 years served by Erastus Corning 2d of Albany, New York, until his death in 1983.

An elderly California couple has won \$7.4 million from an insurance company. Their attorney said they would have accepted \$17,000 for "run-of-the-mill" injuries suffered when their car was struck in the rear in 1978. The award of more than 400 times that much was part of a trend in multimillion-dollar verdicts against insurance companies for "bad faith," and the first tried under a new California law requiring insurers to negotiate claims fairly and promptly.

Shorter Takes: Tulsa, Oklahoma, population 361,000, is the most typical American city in the age and income distribution of its residents and the percentage of blacks, according to American Demographics magazine. ... Federal agencies have begun electronically blocking their 230,000 phones in Washington to prevent employees from dialing time, weather or other prerecorded messages such as Dial-a-Joke. Estimated saving: about \$300,000 a year. ... The Philadelphia Orchestra attained national prominence under the late Eugene Ormandy and is maintaining it under Riccardo Muti, who has ended the practice of allowing season ticket holders to bequeath their seats to their heirs. Now, when a holder dies, the seat is sold to someone on the waiting list.

U.S. Navy Refuses To Bend the Knee

The Episcopal bishop of Florida, William H. Folwell, 60, has sued the federal government for \$200,000, claiming he injured his knee when he slipped and fell on the U.S. Naval Training Center's tennis courts at Orlando. The navy has filed a counterclaim, contending that the bishop was a trespasser and owes \$2,500 for the use of the courts over five years.

The bishop says his left knee was damaged so badly that he is unable to genuflect before the altar.

Short Takes

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More Arrests Seen In Navy Spy Case

By Philip Shenon
New York Times Service

WASHINGTON — The Federal Bureau of Investigation expects more arrests as it widens its inquiry into what some officials described as one of the gravest security breaches in the history of the U.S. Navy, officials said.

The spokesman said the FBI expected to arrest additional relatives and business associates of a retired navy communications specialist and his son who have been charged with smuggling secret documents to the Soviet Union.

"I would expect more charges against more people, associates of the father," said Bill Baker, the assistant FBI director for congressional and public affairs. "We think this ring is bigger than the two now charged."

The investigation centers on John A. Walker, 47, a former warrant officer who had access to detailed information about the movements of the U.S. and Soviet fleets in his 20-year naval career.

His son, Michael L. Walker, 22, was arrested Wednesday aboard the aircraft carrier Nimitz, which is now in Haifa, Israel, after investigators found a box with more than 15 pounds (6.8 kilograms) of secret material near his bunk, according to law officials.

"Based on the duration of the espionage and the access of those who have been charged, you have to assume the damage they caused is substantial," Mr. Baker said.

The FBI has said it has information from two sources that John Walker had been spying for the Soviet Union for 15 to 18 years.

John Walker was arrested Monday after he left more than 120 secret navy documents at a wooded site in rural Maryland, the FBI said. Some documents, the bureau said, came from the Nimitz.

Officials and military analysts said that much more valuable information may have been collected by John Walker in his navy career.

In the 1960s he served as a radio officer on two Polaris submarines. In 1967-69, he was a communications officer in the headquarters of

the Atlantic submarine fleet in Norfolk.

Then he trained radio officers at the Naval Training Center in San Diego. In 1974, he returned to Norfolk as a communications systems officer, with access to information about the surface fleet. He retired two years later.

Eugene J. Carroll, a retired rear admiral, said that radio officers also had knowledge of the codes used to send messages. If information about those codes were given to the Russians, national security might have been jeopardized, he said.

Because he had security clearance that gave him the ability to see highly secret documents, John Walker was probably aware of most major movements of the submarine fleet, officials said. That could be a threat to national security, they said, as submarines are otherwise difficult for an enemy to track.

Military analysts said information that John Walker might have collected before his retirement from the navy might have been much more valuable to the Soviet Union. For that reason, he may have been less important to them since he left the service, they said.

Captain James T. Bush, a retired submarine commander, said that it seemed unlikely that John Walker was a "serious spy" as he chose to retire after only 20 years. If he had been valuable, he said, the Soviet Union would probably have wanted him to remain in the service.

Still, Admiral Elmo R. Zumwalt Jr., the former chief of naval operations, said that if the charges against John Walker were true, "this would represent a breach of security as serious as any I can recall."

Ray Cline, a former deputy director of the Central Intelligence Agency, said, "Just from the description of his assignments, it's inconceivable to me that he did not have the opportunity to steal very sensitive data. From my reading of what has been said publicly, this is a very serious penetration."

U.S. May Consider Combat In Latin America, Shultz Says

(Continued from Page 1)

called on Mr. Ortega to hold genuine free elections that November.

■ **Officer's Indictment Expected**

James LeMayne of The New York Times reported earlier from San Salvador.

U.S. and Salvadoran officials say they intend to reopen an investigation into the 1981 killings of two American agrarian advisers and as head of the Salvadoran land-redistribution institute here. They added that they expected an army officer to be indicted in the case.

Plans for investigations have been announced by the Salvadoran government in the past but were never fulfilled. President José Napoleón Duarte pledged respect when he took office to investigate the killing of the agrarian advisers and at least five other notorious human rights cases here, including the 1980 assassination of Archbishop Oscar Arnaldo Romero.

Mr. Salvadoran Army officer has even been convicted of murder in the human rights case despite the known involvement of the military in such killings in past years.

But American and Salvadoran officials contend that this time an investigation will definitely go ahead.

As evidence of the government's determination, the officials said that a special investigations unit of at least 20 carefully selected Salvadoran policemen has been trained by the FBI to pursue those responsible for killing the advisers at the Sheraton Hotel four years ago, as well as to investigate other highly publicized human rights cases here.

The new investigative unit, which had not been publicly mentioned before, has been quietly working on the case of the slain agrarian experts for several months and has developed "substantial new evidence" that will result in the indictment of an army officer who had been suspected in the killings but had never been charged, an official familiar with the case said.

Those killed at the hotel included José Rodolfo Viera, the head of the Salvadoran land redistribution agency, and two advisers for the American Institute for Free Labor Development, Mark D. Pearlman and Michael P. Hammer.



Michael L. Walker

■ Spy Gets Life Sentence

A U.S. judge sentenced Thomas Patrick Cavanagh on Thursday to life in prison, the Los Angeles Times reported from Los Angeles. The Northrup Corp. aerospace engineer had pleaded guilty March 13 to two espionage counts of trying to sell secrets of the U.S. Stealth bomber program to the Soviet Union. The Stealth program is designed to make U.S. planes invisible to enemy radar.

U.S. to Fire Laser Beam At Shuttle

WASHINGTON — In a test of an element of anti-missile technology, a laser beam will be fired next month from Hawaii at a reflector on the U.S. space shuttle Discovery, the Defense Department has announced.

The laser, which the Pentagon described Thursday as low in power, is not intended to demonstrate the ability to destroy an object in space, a spokesman said, but rather to examine how a beam of light travels after crossing the atmosphere and how corrections in its path can be made.

The experiment was mentioned Thursday in an internationally broadcast news conference by Lieutenant General James A. Abrahamson of the air force, director of the office that is coordinating the Strategic Defense Initiative, President Ronald Reagan's program to develop a space defense against intercontinental missiles.

A subsequent Pentagon announcement said the test would be "a high-precision tracking experiment" and would take place in mid-June. The announcement said it was the first in a series of experiments to be performed during shuttle flights by the SDI office.

The laser beam is to be directed at a reflector eight inches (20 centimeters) in diameter mounted just below the shuttle pilot's flight deck windows.

Dr. Kurt Gottfried, a Cornell University physicist who is a critic of the space defense plan, said information released about the test did not explain its significance. Dr. Gottfried said the general physics of laser behavior in the atmosphere already was generally understood.

Ground-based lasers have been used to measure distances to the moon with great accuracy and many laser experiments have been conducted in the atmosphere.

Space defense research will explore the feasibility of using different kinds of energy, including various lasers, to destroy or disable missiles in the early stage of flight or the warheads they release later.

Study on Artificial Hearts Backs Untethered Device

Experts Urge Expanded U.S. Research On Organ With Own Source of Power

By Lawrence K. Altman
New York Times Service

NEW YORK — The concept of a fully implantable, permanent artificial heart has received a sweeping endorsement from a committee of experts appointed to study its potential therapeutic impact on society.

The study group, in a report released Thursday that could well redirect national priorities on one of the boldest experiments in medical history, said that when an artificial heart not connected to a power source outside the body becomes available, it would cost an estimated \$5 billion each year, making it probably the single most expensive medical procedure available.

Yet the study group called for greatly expanded U.S. research efforts to develop a fully implantable, permanent artificial heart. Such devices "could provide a significant increase in life span, with an acceptable quality of life, for 17,000 to 35,000 patients below age 70 annually," the committee said.

That projection, which falls in the middle range of previous estimates, was based largely on a new study of deaths in Olmsted County, Minnesota, undertaken for the committee's assessment. The committee estimated that each implant would cost about \$150,000 and that recipients would survive an average of 54 months, but only after painstaking research through experience with inevitable tragic failures.

The study, done for the National Institutes of Health, did not specifically evaluate any of the five implants of the Jarvik-7 artificial hearts performed to date but dealt instead with the general thrust of the U.S. artificial heart program. The Jarvik-7 heart requires an outside power source.

Depending on the progress of experiments on animals as well as experiments on humans with other models of artificial hearts, an untethered device might be implanted in a human within a decade, according to NIH officials.

Dr. Claude Lenfant, director of the National Heart, Lung, and Blood Institute, who convened the study panel, said the report "sends an important message to our institute — a strong directive for us to continue what we started and also to mount new programs to develop fully implantable artificial hearts."

Dr. Lenfant explained that the amount of money involved would be a matter of priority in the nation's and the institute's financing. Over the next 13 years the programs to develop such a heart could cost \$73.2 million on top of the \$36.6 million already planned, he said.

The new study is one of a series of periodic reports on artificial hearts that officials of the National Heart, Lung and Blood Institute have ordered in recent decades.

Critics of the artificial heart program were unwilling to respond to the report Thursday because they had not had a chance to study it.

The chairman of the committee

was Dr. Robert L. Van Citters, a professor of medicine, physiology and biophysics at the University of Washington.

The report of the committee of 14 said, "The artificial heart will likely fall within the broad range of currently accepted, expensive medical procedures."

It added that the artificial heart "will certainly be more efficient and a better use of resources than some 'standard' treatments."

The committee raised the question of whether society wanted to spend its money on artificial hearts instead of other medical therapies and preventions and social needs, particularly if the costs for the mechanical heart restrict access to other goods and services.

The committee said it viewed an air-driven artificial heart, which requires the recipients to be tethered to a machine, as merely "a step toward the development, validation and clinical testing of the totally implanted tether-free systems that we believe are the only systems with long-range promise."

There are total artificial hearts and partial ones, known as ventricular assist devices, that could be used on a temporary or permanent basis.

But the study group said that it believed a "thermal engine would afford the potential for the most compact system with the longest lifetime." A thermal engine uses body heat as a power source.

The committee urged more study of the ethics of how people would adjust to life on the devices. The quality of life on an artificial heart might seem "more attractive despite its significant imperfections" to those people who have progressively gone downhill from chronic heart disease and the adjustment might be more difficult for victims of acute heart attacks who "with catastrophic suddenness" find themselves living with such a device.

Moreover, the committee called for "a clearer social consensus than now exists about the moral implications of the unwillingness of a bearer of an artificial heart to continue to accept it."

U.S. Investigates Charity Kickbacks

WASHINGTON — Officers of the Salvation Army charity organization are under criminal investigation in several U.S. cities for having allegedly received illegal payments from a Philadelphia company that handled used clothing, according to law enforcement officials.

The Salvation Army officers were said to have taken payments from the Dumont Export Co. from 1970 until May 1983 in return for a regular supply of castoff clothing that even the charity's thrift shop managers found of little or no value.

Pentagon Procurement: Rewarding Suppliers Who Raise Costs

(Continued from Page 1)

including major weapons themselves, is priced the same way as spares," he said.

Another official agreed. "Any weapon system, such as a fighter," he said, "is only an aggregation of parts and components, and we pay for them on the basis of 'allowable costs, with profit based on a percentage of costs,' he said.

"It is just harder to see with a fighter because the layman doesn't have any way of judging what a fighter or a tank should cost," he explained.

Ideas proposed to control the costs of acquiring weapons, and impediments to putting them into effect, include:

● Freezing the military budget. In one sense, this has become one of the more plausible solutions because many members of Congress seem willing to limit the increase in military spending for fiscal 1986 to the rate of inflation. Their intent is not to punish the Pentagon, they say, but to force it to get the most for its money. Several business groups, although not major military contractors, favor this approach.

One problem with that sort of proposal is that in the past it has led to bureaucratic warfare and grotesque attempts to retaliate against budget-cutters. When the departments of Interior and Defense were ordered to cut spending in the 1960s, they responded with suggestions to close the Washington Monument and to retrieve American flags after military burials rather than presenting them to widows.

Another problem with that approach is that it is unlikely to bring the nation closer to its goal of modernized forces unless unit costs are controlled through better management.

Many congressmen and not a few high-ranking administration officials believe that it is a hopeless

task to measure, let alone boost, the actual increase in military weapons and forces. Therefore they measure their fidelity to a stronger defense in terms of their votes for higher budget totals, as President Ronald Reagan himself has.

● Locking the revolving door. Contractors are increasingly offering jobs to retiring military procurement officers who have supervised their work. Lately they have even hired officers who oversaw testing of their weaponry.

Under military policy, colonels and navy captains usually retire if they are not selected for promotion to general or admiral. According to statistics, such officers average 43 years of age and, with military allowances added to base salary, are receiving relatively high salaries.

Many have children in college and costly home mortgages. And many are far from ready for actual retirement, in which they would be paid half of base salary.

While few critics accuse such officers of corruption, many believe that the prospect of post-retirement work tempts them to treat contractors as sympathetically as possible.

These critics suggest there is no incentive for program managers and contract administrators to probe contractors' claims about cost and performance.

The Senate, which is presently considering a military authorization bill for fiscal 1986, has approved an amendment that would deprive government employees from dealing with contractors who approached them about jobs.

● Getting the uniformed services out of military acquisition. Although the nation may seem novel or even radical, many foreign governments leave acquisition to elite civilian bureaucracies.

The widely admired French system is run by a handful of senior officers who are permanently assigned to procurement and whose promotions and careers are insulat-

Army Suspends Payments to Hughes

The Associated Press

WASHINGTON — The U.S. Army has suspended monthly payments for overhead expenses to Hughes Helicopter Inc. pending an investigation of "serious charges of accounting irregularities," Army Secretary John O. Marsh Jr. said Friday.

Mr. Marsh said the payments of about \$30 million a month were suspended May 17 after a Pentagon audit cited "charges for unallowable costs, charges for duplicate costs and inadequate internal controls involving millions of dollars."

Hughes Helicopter, a subsidiary of the nation's largest defense contractor, McDonnell Douglas Corp., is the army's prime contractor for the AH-64 Apache helicopter.

ed from the armed forces as a whole.

Another possibility would be to allow the armed services to decide what weapons' capabilities should be and to perform final tests to ensure that those requirements were met. The interim steps would be taken out of the hands of those in uniform.

● Forcing the Pentagon to permit real competition. Calculations indicate that only about 6 percent of the dollar volume of contracts is assigned competitively. The investigative staff of the House Appropriations Committee reported that component prices fell often spectacularly, in every case in which contracts were awarded competitively.

If signed into law, the Senate's measure requiring the military to use competitive bidding on most contracts could fall victim to bureaucratic sabotage. For example, although McDonnell-Douglas's C-17 won a contest for design proposals for a new strategic airlift plane, Defense Secretary Caspar W. Weinberger chose Lockheed to build C-5's.

Informed officials said Mr. Weinberger was influenced by White House pressure. Then, in a classic Pentagon action, it was decided to build the C-17, too.

On rare occasions, the Pentagon has successfully organized competitions between industry-financed prototypes.

equipment to the design for which the contract has been awarded. It is also common to request technology that has not yet been invented or engineered while proceeding concurrently with production and research.

Those methods are very expensive, but the Pentagon argues that sticking with proven technology would result in obsolete equipment.

● Enhancing "program stability." This approach, given a high priority by the Pentagon bureaucracy, is defined as sticking to a weapon-buying plan so that efficient production rates can be established and prices gradually will go down. Military officials often cite this principle in urging Congress not to reduce budget requests.

What happens in practice is something altogether different, according to a series of studies conducted by Franklin C. Spinney, a Pentagon analyst. Mr. Spinney says the unit costs of weapons are nearly always higher than predicted. His view was disputed by his superiors, who have made strenuous, though unsuccessful, efforts to bar him from testifying to Congress.

The historical tendency to un-

derestimate costs, which independent analysts say has accelerated, has had serious consequences. When the cost of all programs is understated because of what an official Air Force study called "unbridled optimism" or by outright collusion between the services and contractors to delude Congress, the eventual result is that appropriated funds cover neither the purchase of the planned number of weapons nor the cost of operating and maintaining them.

The path usually taken is to stretch the production of all items over a longer time period, a practice that inexorably leads to higher unit costs and, in turn, aggravates the problem in subsequent budget cycles.

Cancelling some weapons programs instead of stretching all of them over a longer time period frequently has been suggested, sometimes by military officials themselves. But no matter how expensive a ballooning program may seem, the Pentagon usually has argued successfully that to kill a program would be to sacrifice money already spent.

Once initiated, a program also builds a powerful constituency in industry and therefore in Congress.

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"Europe's Best View"

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12:00 STANLEY CUP ICE HOCKEY	18:00 CHOPPER SQUAD
13:05 ALL STAR WRESTLING	18:30 STARSKY & HUTCH
14:00 SKY MOTOR SPORTS	18:40 ALL STAR WRESTLING
15:00 SKY TRAX 1	20:30 SURVIVOR EVIDENCE
15:45 SKY TRAX 2	21:35 SKY TRAX
16:30 SKY MOTOR SPORTS	22:30 CLOSE
17:30 THRILLSEKERS	

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Herald Tribune

Published With The New York Times and The Washington Post

Let Ratification Proceed

It is not news that some ultraconservative groups have long opposed ratification of the Genocide Treaty. For decades, alarmist lobbies and isolationist publications have been issuing warnings of the dire consequences that would befall Americans if the pact, signed 36 years ago, were ratified by the Senate. Innocent citizens, were told, would be hauled off for criminal trials before the World Court and sent to prison in Iran or Nicaragua. American soldiers would be subjected to humiliating public trial by scheming Communists. Third World dictators would be able to override the U.S. Constitution. Such unfounded fears have led to the adoption of two resolutions by the Senate Foreign Relations Committee, which reported the ratification resolution this week.

The treaty, which has been accepted by 96 nations, makes it an international crime to kill or seriously harm members of a religious, racial or ethnic group as part of a plan to destroy that group. If the United States were to ratify the treaty, Congress would then have to pass legislation implementing it. The World Court does have responsibility under the treaty to interpret its language, but since the court cannot conduct criminal trials or order sanctions

of any kind except through the United Nations Security Council, where the United States has a veto, there should be no fear that the agreement requires abandoning American citizens to some international tribunal.

Senator Jesse Helms offered two reservations, one requiring special U.S. consent to World Court jurisdiction in cases involving the United States, the other asserting that Americans are not obligated to enact legislation contrary to the U.S. Constitution. These reservations purport to save America from a terrible fate. In fact, it has never been threatened.

The resolution of ratification now goes to the floor encumbered with these superfluous reservations. But, while they are undesirable, they do not seriously undermine the treaty, and it would be foolish for senators who have long and faithfully supported ratification to abandon the measure because of Senator Helms's small victory. It is humiliating for the United States, in ratifying, to signal uncertainty about its ability to defend itself against unfounded charges of genocide. But even if the reservations cannot be eliminated by the full Senate, ratification should go forward.

—THE WASHINGTON POST.

Radio War With Castro

Radio Martí, the Reagan administration's pet project for annoying Fidel Castro, has done just that. The station made its debut on Monday, Cuba's Independence Day. Instantly and angrily, Mr. Castro retaliated by suspending the only agreement Cuba has reached with this administration. The gate is now closed to legal emigration from Cuba and to the repatriation of 3,000 "excludables" with criminal records whom he dumped on Florida in the 1980 Mariel exodus.

Why is the Cuban leader so angry? There is now much inflammatory in the content of the new station. Congress stipulated that it provide news, not propaganda. It follows Voice of America rules that bar free-wheeling commentary by exiles as on Radio Free Europe. Much of its coverage duplicates news carried on Florida's Spanish-language stations, which reach most of Cuba. What seems to inflame Mr. Castro most is the new station's name.

He has half a point. José Martí (1853-1895) is Cuba's prophet of independence, a gifted writer who agitated against Spanish rule and

warned against Yankee domination. It never made much sense to expropriate his name for a U.S.-run station whose mission is neutral reporting. Imagine the indignation if the Soviet Union ignored American objections and created Radio Lincoln to broadcast across the Bering Strait commencing the Fourth of July. But Americans would respond to a Radio Lincoln with ridicule, not jamming.

Mr. Castro's angry reprisals are apt to be self-defeating. It took patient years to bring about the December agreement on repatriating the Marielitos. Scuttling the deal hurts Cuba; witness the glee he has now inspired among Castro-haters in the United States who fear any wider understanding.

The radio war, alas, will not gain the United States anything much either. Perhaps no accommodation is possible that can end Cuba's isolation in return for a loosening of Mr. Castro's bonds to the Soviet Union and the opening up of a closed system. All the radio war can contribute, however, is static.

—THE NEW YORK TIMES.

The Secretary Did Well

Secretary of the Navy John Lehman found that General Dynamics, America's third-largest defense contractor, had padded its bills. He insisted that it repay \$75 million in disputed "overhead" charges, the most memorable of which is a kennel fee for an executive's dog. He also found that the company had tried to buy favor by giving a series of gifts worth more than \$65,000 to Admiral Hyman G. Rickover when he was overseeing its work on nuclear submarines. Mr. Lehman fined the company \$676,283 — 10 times the value of the gifts — and gave the 83-year-old retired admiral a nonpunitive letter of censure. Mr. Lehman also canceled two contracts worth \$22.5 million with offending units of General Dynamics, and insisted that the company adopt a "rigorous code of ethics" for its officers in the future. He did not bar the chairman, David S. Lewis, from further defense activity, as the Pentagon's inspector general had urged. But a day later Mr. Lewis announced that he would resign by the end of this year.

Some Democratic critics of Mr. Lehman say that, if only as a deterrent to other contractors, he should have imposed harsher punishment. They talk of such alternatives as barring the company from defense work for a while. They note that General Dynamics stock went up 1 1/4 points the day after the secretary's action — a

sign, they say, that investors had expected worse. But neither the company's stockholders nor its board can feel good about what happened to it. The financial penalties are not important. General Dynamics has more than \$1 billion in current contracts with the Defense Department; it had profits of \$381.7 million last year. But public humiliation has to count for something. General Dynamics has been found to have violated a public trust, and other contractors are on notice.

There is an acknowledged limit to how sharply the Pentagon can deal with a major contractor. General Dynamics is the sole supplier of the navy's number-one submarine, the army's number-one tank, the air force's number-one fighter and much more. The navy and other services need General Dynamics. They are as dependent on it as it is on them.

There are serious questions about what the Pentagon's relationship should be with its contractors. Is it right to think of these specialized companies as private industry? Does it make sense to call for competition, firm prices and other features of private commerce on big weapons contracts? Or should there be more direct methods of control? But these are larger issues. In the context in which he was acting, Secretary Lehman served the public well.

—THE WASHINGTON POST.

Other Opinion

Generals Lead South Africa

[The South African] government has been forced to admit that South African troops are still operating deep in Angola. There was what was termed a withdrawal of all South African troops from Angola in the middle of April, but it seems that some got left behind. Their purpose, of course, is to continue to help UNITA in its guerrilla war against the Angolan government. Setting aside all the shortcomings of that government, it has plainly been double-crossed yet again by the South Africans.

Whatever we think of South Africa, reports of this episode, on the assumption that they

are substantially true, show what everyone should already have grasped — that South Africa is prepared to go to any lengths, break any promises, threaten any alliance to defend what she regards as her own legitimate interests. The cooing noises which her diplomats make should not lead the United States or anyone else into believing that a South African accommodation with the Angolan government is likely before that government has been properly destabilized. In a country which sees itself as being at war — which South Africa certainly does — it is the generals and not the diplomats who usually have the final say.

—The Daily Telegraph (London).



The White Tribe Will Have No Negotiation

By Breyten Breytenbach

Mr. Breytenbach, the Afrikaner poet, was charged with terrorism and served seven years in South African prisons. This is the first of two articles.

PARIS — The complex of interests symbolized by the concept "South Africa" — "apartheid," "colonialism," "East-West confrontation" — is a running sore on the body politic of the world community; we all sense the urgency of the issues and the importance of the solutions. But the veiling of the real strategies, and the duplicity of the world powers publicly criticizing the South African regime while they discreetly strengthen it, make it difficult for the outside observer to see a clear picture.

In this century, successive generations of "informed opinion" have had to face the phenomenon of what I would call ideological rabies. The black majority cannot settle for anything less than full participation in the political, economic and social processes.

Nazis were a case in point. In none of these instances could international outrage end the horrors. Is it because moral persuasion has no political force? Or is it dangerously naive to expect some decency in the practice of politics? In the case of South Africa, the hanky-panky between words and deeds, can probably be ascribed to the sense of shame resulting from collusion. Or maybe the protagonists just don't care about world conscience. Are they not hard-headed pragmatists after all?

As the last white colony of any consequence, South Africa is a historical oddity. Although its history cannot be interpreted exclusively in colo-

niaist terms, its system does reflect the insensitivities and arrogance flowing from conquest and occupation. It would seem as if time passed by the Afrikaners, the ultimate settlers from a previous and picturesque epoch. In the folds of darker and more primitive ages they live an archaic contradiction: They are a people with a mission; they cling to the belief in predestination — which accounts for their obstinacy and fatalism — and yet they utterly reject the notion of historical determinism. They are a white African tribe tragically defending a superannuated vision of Western civilization, thereby dooming themselves and their values to extinction.

But the odds building up against them — demographic, or of blood debts if nothing else — do not face them. There is no link between cause and effect. There is no limit to their cruelty. Their God has created, hierarchically, He is terrible and wrathful. He provides, but if they do not follow His precepts, He will turn away. These believers know they can count on their allies because they are outlined against the background of a weak, corrupt Africa, because they will represent a resurgent anti-communism, because there is a reassertion of Western interests in the continent. They have allies even if they have to bribe or blackmail them.

(The Anglo-African whites, by and large, squat flabbily behind the ramparts of Afrikanerdom — cowering, but profiting hugely.)

White South Africa is the regional superpower

— flexing its strength, putting into operation its "forward policy" (the step following destabilization), practicing a virulent oppression that denies basic rights to the majority in the land. It is experienced by the rest of Africa as a perennial humiliation, a foreign evil. The relative sparsity and silence of Africa reflects an impotence and dependence on Western economies.

The past explanation is to blame apartheid. If that were so, redress would be simple. In Bishop Desmond Tutu's words: "Apartheid cannot be reformed, it must be dismantled." But what is apartheid? In the strictest terms, it is minority power monopoly. This is the kernel condition deemed essential by the Afrikaners for their survival. They brook no negotiation. Apartheid as racial discrimination is only the means of maintaining this desired end. The pragmatists, or "new realists," are willing to jettison appearances of apartheid to retain true power.

It is equally clear that the black majority cannot settle for anything less than full participation in the political, economic and social processes, with equal privileges and responsibilities. The organized expression of unitary national consciousness has been muzzled since the early 1960s. Yet despite the white minority's best efforts — banning, jailing, mass removals, depriving blacks of their citizenship, killing — this consciousness, resolutely anti-racist, is more alive today than ever before.

Given these two irreconcilable positions, what are the chances for an agreement embodying the minimum conditions acceptable to both for some form of cease-fire if not coexistence? Recently, in Washington, Elliott Abrams, outgoing assistant secretary of state for human rights, opposed an excessively somber reading of the situation.

Los Angeles Times.

Middle East: Converging Boots Stamp Out a Glow

By Flora Lewis

PARIS — Faint glimmers of hope for Middle East peace talks have been stamped out again. A combination of continued intricate infighting among Arabs and unexpected Israeli indulgence for convicted terrorists has spoiled the climate all round.

The Israeli decision to exchange 1,150 prisoners for three captured soldiers has aggravated the situation. The problem is not the number. It is the fact that 79 of the men released were directly responsible for murder, 380 of them had been tried, convicted and sentenced to life, and 600 were freed to return to their homes in Israel proper or the occupied West Bank.

This is a change in the longstanding Israeli policy of refusing to pay terrorist blackmail. It is not a traditional exchange of prisoners of war. Understandably, the operation poses a painful moral dilemma for Israelis. "What if one of the three exchanged were my son? You have to ask yourself that," said a woman who has dedicated her life to the Jewish state since before it was founded. Yet she thought the price too high.

Lower Eliaz, the Israeli dove who

helped arrange the deal, admitted that it had embittered and polarized his compatriots, stiffening those who feel that "we have to live by the sword" and another war is inevitable.

The result was a compromise that took well over a year to reach, he said, and some prisoners who had been demanded were refused release by Israel. But the mood in the country has made most people even more adamant against negotiating with any Palestinians who might be included in a Jordanian delegation.

People are saying again that "Palestinians means killers," Mr. Eliaz reported, and this would make Prime Minister Shimon Peres "even more reluctant to accept talks."

The irony is that the exchange also weakens what chance there was that Yasser Arafat, the PLO chairman, would compromise on terms for negotiations. It was concluded with Ahmed Jabril, one of the most radical Palestinians, who has strong Syrian support. It has reinforced Mr. Jabril's argument that only extremism pays.

This in turn puts pressure on King Hussein of Jordan. The Syrian foreign minister, Farouk al-Sharaa, who is in Paris, said flatly that Damascus opposed the king's accord with Mr. Arafat. Syria has been trying, with guns and politics, to take control of the PLO and force King Hussein to accept leadership from Damascus.

Mr. Sharaa as much as said that this was also the reason behind the current brutal battle at Palestinian refugee camps in Beirut, the worst since the Israeli invasion in 1982. He claimed that the fighting broke out because pro-Arafat Palestinians wanted to prove their faction's "military presence" in Beirut again and sap the standing of Abu Musa, the Palestinian the Syrians have been trying to put in Mr. Arafat's place.

The attacks on the camps were mounted by the Shiite militia group Amal, which is on good terms with Syria, but it in turn was bombarded by pro-Syrian Palestinian forces from the hills above Beirut. Fighting on various proxies, Syria is fighting on

both sides to make sure that none are in a position to challenge its will.

The timing takes advantage of the prestige Mr. Jabril gained through the prisoner exchange to make Syria's point against Mr. Arafat with fire.

Children and ordinary people of all ages are the victims of these bloody, cynical maneuvers. But they are not just pawns. The killing could not go on if there were not plenty of people to feed the flames of hatred, fear and ambition. The extremists abet each other and crush what remains of human shame and tolerance, of willingness to find a better way to live alongside one another.

In Israel, hard-liners are demanding release of Jewish terrorists who took the law into their own hands, arguing that they should not be jailed when their Palestinian counterparts are freed. This kind of equality is not morality. It is the sort of thinking that brought the disintegration of Lebanon into rival militia bands.

Arab and Israeli attitudes are linked in a macabre dance of abstract politics and real corpses. There appears to be no way to break it.

The news that West German book-sellers have awarded this year's prestigious Frankfurt peace prize to Teddy Kollek makes a startling contrast. The citation reads: "For 20 years as mayor of Jerusalem, by his daily courage, by his often unconventional decisions and by his convincing humanity, Teddy Kollek has made possible in Jerusalem the peaceful coexistence of Jews and Arabs, of Moslems, Christians and Jews."

Maybe the inevitable could be stopped. Maybe the impossible peace could come true. That, too, depends on people and what they want most, on what they mean by life.

The New York Times.

Tax Reform Is Reagan's Big Chance

By David S. Broder

WASHINGTON — The televised speech President Reagan will give Tuesday on tax reform could be a landmark in the history of American politics. But that will be true only if Ronald Reagan has the boldness and the vision that distinguished his first political hero, Franklin D. Roosevelt.

Ever since the tax reform issue surfaced last year it has been clear that it offers the Republican Party a way to identify itself with the interests of millions of working-class and middle-class families. More than any other issue, it would allow Republicans to bury the historic liability of being seen as the party of big business and the fat cats.

Treasury I, the blueprint for tax reform put out by the Treasury last December, did that. It astonished veteran tax reform advocates and left a good many Democrats shaking their heads in dismay that the Republicans had stolen their lunch.

Some of those Democrats had urged Walter Mondale to campaign on a plan not quite so bold as Treasury I. But Mr. Mondale demurred, choosing the course of caution. When they saw Treasury I, those Democrats feared that Mr. Reagan would harness the public anger at the unfairness and the staggering complexity of the tax system and use the issue to cement voter loyalty to a popular Republican Party.

In the last few weeks Washington has been filled with reports that the administration is in headlong retreat from the bold principles of Treasury I. Supposedly, Treasury

negotiators have swapped concessions to this and that interest group for support, or grudging acceptance, of the rest of the package.

As the rumors have circulated, the Democrats have come to think they may be reprieved. While the Treasury has fiddled with its own proposal, congressional Democrats have put their trademark on a corporate minimum-tax proposal that will be a key ingredient of any tax reform package Congress approves.

If they can plausibly make the case that Mr. Reagan's package is loaded down with special-interest exemptions, then the final, watered-down measure that Congress passes will be just another in an endless series of tax bills. Republicans will have lost their chance to use tax reform as a lever to gain majority status in America.

But Mr. Reagan still holds the decision in his hands, and in his memory. Unlike almost anyone else in 1985 politics, he remembers how FDR was denounced in his time as "a traitor to his class." Rich and privileged men could not understand how the Squire of Hyde Park came to be the champion of the New Deal. But Mr. Reagan also remembers that Roosevelt broke the bonds of his own political heritage and created a coalition that made the Democratic Party the dominant institution in America for two generations.

Will that memory, and that in-

stinct, guide Mr. Reagan's words and actions Tuesday night? My guess is yes. We know that the Roosevelt myth is deeply embedded in his consciousness, so deeply that he quoted FDR in accepting the Republican nomination for the presidency — to the shock and chagrin of many of the delegates in Detroit.

Mr. Reagan's biographer, Lou Cannon, reminds us that he remained a Democrat well into middle age, largely because of FDR's hold on his imagination. Tuesday is the time — and maybe the last time for this second-term president — to seek major policy and political gain by emulating not just Roosevelt's rhetoric but his bold tactics.

I think President Reagan will seize the moment in the most dramatic fashion possible, by divorcing his party from the corporate sponsorship that has been its sustenance and its curse. I think he will astonish and outrage some of his longtime friends and backers, but he will change the way that millions of people think about the Republican Party.

I think he will talk about the loopholes that wealthy individuals and corporations use to avoid paying their taxes, and will promise most taxpayers lower rates and simpler forms with his plan.

Am I dreaming? Maybe, but watch what happens if Mr. Reagan does speak along those lines. You will see the landscape of American politics change.

The Washington Post.

No Summit Until They Loosen Up

By Anthony Lewis

NEW YORK — Anatoli Shcharansky is now in his ninth year as a Soviet prisoner — the price of speaking out for the right of Jews to emigrate. Through those years his wife, Avital, has kept his name and fate before us.

Scarcely at home in Israel for more than a few days at a time, Mr. Shcharansky travels to America and elsewhere to talk about his case. He is 34, low-spirited, plain in dress and manner. There is nothing striking about her — except the essence. She radiates the power of her commitment. She had news about her husband on this visit, and a bitter conclusion drawn from it.

The story is worth telling for its own human sake, and for what it says about the whole problem of dealing with the Soviet Union.

Last October Mr. Shcharansky was due to be transferred from Chistopol Prison to a labor camp. These were words from him for months. So in December his mother, Ida Milgrom, who remains in Moscow, went to the Interior Ministry to ask about him.

Remarkably, the deputy minister, Ivan T. Bogaturov, saw her and spoke kindly to her. He said he would let her phone in a few days, and he did. He told Mrs. Milgrom that her son was in Camp 35, in the Urals, and that she could visit him there. She spent six days with him in mid-January.

Mr. Shcharansky told her that he had had exceptional treatment lately. When he reached the labor camp on Nov. 13 he was put in a hospital, given a weekly cardigan and examined by a doctor — his first real medical treatment since a hunger strike in 1983 and some serious heart symptoms. (The doctor said he had narrowly missed another heart attack.) He got his first milk and meat to eat in years.

Moreover, Mr. Shcharansky said he had been told that officials were considering his release in an amnesty. The labor camp chief said the same thing to Mrs. Milgrom. After she went home to Moscow she had five letters from her son saying how much he loved seeing the sky and birds after all the years in a small cell.

Then in March Mrs. Milgrom got two telegrams from the camp authorities saying, without explanation, that letters to and from Mr. Shcharansky had been confiscated and no more visits would be allowed in 1985.

Last week Mrs. Milgrom received the first letter from her son since then. It was brief and abrupt in tone. He was allowed to write only "the facts," he said, and they were that he would be allowed to write only two more letters, and that all visits had been canceled. He asked her and Avital "to remain calm as I do."

"It sounds like a letter they told him to write," Mrs. Shcharansky said. "To show he is there and not on a hunger strike. We understand from him that he is on a hard regime in the internal camp prison. The next step would be to return him to Chistopol."

"What we see from this, from all our experiences," is that they don't mean it when they hint they're going to release him. They play with him. And they reduce the world's concern for him to the lowest levels.

"Here is an innocent man; the whole world knows there is nothing to the espionage charge against him. They treat him badly, isolate him, violate their own prison rules. So the world just worries if he's alive, and it is grateful to learn that he is. It forgets that he shouldn't be there at all."

Mrs. Shcharansky then made a much more sweeping political point. Before agreeing to a summit meeting with Mikhail Gorbachev, she said, President Reagan should insist that the U.S.S.R. make a commitment to let the 400,000 Soviet Jews who want to go leave in the next four years.

"That must be done before a new page is opened in Soviet-American relations," she said. "Our desperate wish is that the U.S. government take a strong position."

My view, which I told her, is that making the stakes so high would do no good for Soviet Jews — or for her husband. The Soviet hierarchy does not give way to such absolute conditions, as those who care about the refugees and the dissidents — the Shcharanskys and the Sakharovs — have sadly learned. The grinding way of slow, hard negotiation, and progress on many issues, is the only way.

But Avital Shcharansky is right to say, from the terrible lesson of her husband, that we cannot be satisfied with this kind of deal. In terms of U.S. opinion, right, left and center, there can be no summit meeting without substantial Soviet actions on Jewish emigration and human rights.

The New York Times.

LETTERS TO THE EDITOR

Japan: Same Old Story

Regarding the opinion column "Isolationist Japan? Look Again" (May 10) by Daniel Bernstein:

When I first went to live in Japan I was excited to learn in the English-language press that Japanese-U.S. trade relations were "on the move." Determined efforts, in response to demands from "angry" U.S. congressmen, were to be made to tear down "unofficial" resistance to free trade. The times were changing, government and business committees were "seriously studying" this important and embarrassing question.

That was 1978. Long-term Japanese hands, people who, some of them, had arrived with the occupation forces, quietly assured me that committees had been "seriously studying" for years. In 1982, when I left, they were still at it.

Japanese public relations agencies produce endless statistics pointing to minor breakthroughs, like those cited in Mr. Bernstein's article, to explain, to console, to temporize, to sweeten,

to do anything, in fact, to avoid an outright clash and a clamping down. The charming youngsters in Yogi Park that Mr. Bernstein mentions, with whom I used to mix every weekend, are low-paid, uninterested in politics, undemanding. They count for nothing at all in policy-making. They buy what they find in the shops. If it isn't there, they don't buy it.

There has not been and will never be, unless we learn finally how to say "no," a breakthrough for Western goods in Japan on the scale of the Japanese breakthrough in the West.

PETER WRIGHT.

Paris.

A Negative Tax Idea

In response to "Taxing Americans Abroad" (May 16) by Robert C. Shier:

Rather than tax the working American abroad, senators should suggest a premium for our furthering of U.S. interests, the U.S. economy and our free-enterprise employers.

JOHN A. TAYLOR.

Schwalbach, West Germany.

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92001 Neuilly-sur-Seine, France. Tel.: (1) 747-1265. Telex: 612718 (Herald). Cable: Herald Paris. ISSN: 0249-8052.

Directeur de la publication: Walter N. Thayer

Asia Headquarters, 24-34 Hennessy Rd., Hong Kong. Tel. 5-28518. Telex 61170.
 Managing Dir. U.K.: Robin MacKinnon, 63 Long Acre, London WC2E. Tel. 636-4802. Telex 262009.
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 S.A. au capital de 1.200.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337.
 U.S. subscription: \$325 yearly. Second-class postage paid at Long Island City, N.Y. 11101.
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The 'Holy'

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No Summer
Until They
Loosen Up
By Anthony Lash

ARTS / LEISURE

Orientalist Kitsch Fetches Record Prices

NEW YORK — One of Sotheby's most unlikely gambles came off Wednesday when the "Important Orientalist Paintings from the Collection Coral Petroleum, Inc." realized \$7.1 million, leaving only three lots, valued at a negligible \$61,500, unsold.

The world record for an Orientalist painting, or not, was established when a picture by John Frederick Lewis, called "An Intercepted Correspondence" went up to \$1,265,000, including commission. It had been acquired at Christie's in London for £247,000 (then about \$500,000) five years ago, which was considered wildly overpriced then. Similar records were established for Jean-Léon Gérôme at \$440,000 paid for a "Mouzzin Calling the Believers to Prayer from the Top of a Minaret" and for Ludwig Deutsch, when "Praying in the Tomb Chamber" went up to \$115,500.

Asked how he felt about the sale, the Sotheby's expert Alexander Apis, who did a wonderful job, could only reply: "Ecstatic." Relief was audible in his tone as Apis conceded, in one of Sotheby's rare cases of understatement, that the sale had been "a bit of a gamble." Indeed there were reasons why the sale could have ended in disaster. The pictures had all been bought within the last eight years or so. On reading in the preface that the "collection" had been formed under the auspices of Coral Petroleum's chairman, David B. Chalmers, one felt convinced that it was, at best, a

company investment. The "collection" gave the feel of a collective compromise with a bit of everything in it. But overriding other considerations was the nature of the pictures. Many looked like parodies, like so much else of 19th-century academic art in general and of its so-called Orientalist sideline in particular. Starting with "Music in the Harem" by the obscure Russian artist Vincent Stiepevich, it went on with a work of the Austrian painter Edouard Ender called "Der Liebende des Paschas" (The Pasha's Beloved) and, shortly after, veered rather abruptly to the great Romantic master Eugène Delacroix with "Chevaux sortant de l'abreuvoir" (Horses Leaving the Watering Place). The title hardly conveys the stormy atmosphere of a landscape in the Algerian highlands at sunset.

It shows a horseman wearing the

baggy trousers and waistcoat in the Turkish fashion still prevalent in the early days of the French occupation of Algeria, who is trying to steady his rearing horse while leading away another restive steed. The dim figure of a warrior, spear in hand, appears in the distance. Painted in 1857, the picture is done in nervous, vibrant strokes with more than a touch of Turner's influence, heralding the brushwork of Impressionism 15 years later. It is, in short, a remarkable work by a remarkable master, a far cry from the bland picture postcards of Stiepevich, Ender, et al.

After that the sale veered abruptly to the harsh realism of the American painter Edwin Lord Weeks. His view of "Camels Watering at a Desert Well," dated 1873, is perhaps not the greatest work of art, but it has a strong atmosphere. The whitish sand strewn with a few rocks under the intense blue sky of the Saharan desert and its pinkish

wisps of shredded clouds at dawn on a spring day, the three low wells of roughly carved stone with two camels standing by, watched by their dark-skinned driver in ragged blue robes, the silhouette of a woman crouching on the rim of a cistern as she pulls up water—all this has the appearance of a genuine document.

The contrast with the next landscape, done in 1840 by the Swiss artist Johann Jakob Frey, is extreme to the point of absurdity. "Blick aus der Römischen Wasserleitung in Thugga" (View From the Roman Aqueduct at Thugga, or Dugga, near Teboursouk, in Tunisia) is carefully composed in the neoclassical manner with all the idiosyncrasies of neoclassicism, however ill-suited to the subject matter.

The foreground, with its growth of spiky leaves and cactuses, manages to be dark against all probability in the glare of sub-Saharan sunlight, because Claude Lorrain had dark foregrounds in the 17th century and his early-19th-century French imitators decided theirs would be too. In the distance, the tiny figure of an Arab woman in white veils riding a donkey has a touch of the "Flight to Egypt" about it. A pale blue strip of sea lined by low marshy hills appears on the horizon with the remains of an aqueduct, making it the perfect exotic chocolate-box image.

Possibly feeling that he had not gone far enough in the way of artistic diversity, the "collector" had further acquired a scene of horsemen prancing in the desert by Eugène Fromentin, the French author of the Romantic novel "Domitien," who spent years painting in Algeria in a Romantic manner. He had even bought a portrait by Corot, who is hardly thought of as an Orientalist.

But this towering master of the French school had once portrayed his pupil Ernest Dumax dressed as an Algerian Arab warrior. That was a good enough reason for the "collector," even though the white silhouette, boldly sketched in quick, broad strokes of the brush, is closer to the modern vision than to the sickly kitsch that made up much of the collection.

In short, subject matter, not aesthetics, was the link between the paintings. They dealt with the Middle East as seen or dreamed by 19th-century Europe. There were street scenes, apartment scenes and desert scenes. In addition to the record-breaking "Call to Prayer," one had views of "Saying Prayers in the House of an Annuity Chief," "Praying at the Mosque of Qay-Bay" in Cairo, by Jean-Léon Gérôme.

The whirling dervishes carefully observed by Gérôme, followed the "scribe" fancifully depicted by the inept Deutsch, who always got his details garbled — no Middle Easterner ever threw a rug over a sofa nor held his pen in the way the gentleman does. The signature at the bottom of the picture states that it was painted in "Paris 1896," and this one can believe. The scribe stroking his beard as he looks up dreamily with one eyebrow raised has a Western, very Parisian, expression unlike any Middle Eastern mimic.

Not only has the so-called "collection" no aesthetic unity, but it does not show any concern for documentary value. How could such a motley assortment do so well? Apis explained that "new buyers," the current obsession at Sotheby's, played a key role. "The buyer of the Lewis has never bought anything in our rooms," was his way of putting it. And it would seem to take a virgin mind, unaware of such considerations as the current prices for truly great paintings, to pay such an enormous amount for that picture. Sotheby's would not release



Lewis's "An Intercepted Correspondence" (detail).

The 'Holy Torment' of Odilon Redon

By Michael Gibson
International Herald Tribune
BORDEAUX — "A painter who has found his technique," Odilon Redon wrote in his journal, "does not interest me. He knows nothing of the holy torment which springs in the unconscious; he has no expectation of what is yet to be. I love that which never was."

Born in Bordeaux, raised there on the Allées D'Amour (which he wrote of as "d'Amour") and later among the somewhat gloomy marshes, ponds and vineyards on the flatlands of Peyreleade, his parents' estate, Redon (1840-1916) was constantly in search, not only of his technique but also of his substance. This searching makes him admirable at times and, at times, uneven.

It also made him something of an outsider in the art of his period. He loathed the academic style and suffered briefly under Jean-Léon Gérôme at the Académie des Beaux-Arts in Paris. He admired Gustave Moreau but deplored Moreau's inability to shake off standard academic rhetoric. He disapproved of the realism of the Impressionists, which he felt did not address the real issues of art.

He followed his own singular adventure, which, seen here in its full scope, can strike one as a tremendous crescendo from the dark, dreamy anguish of his earlier work, all in black and white, to the later luminous, coruscating pastel and oil colors of the later part of his career.

Bordeaux is devoting an important show to Redon at the Galerie des Beaux-Arts, with 244 works from museums and collections in Europe, the United States and Algeria.

A display of 23 works at the city museum is devoted to Rodolphe Bresdin, an equally singular artist, who gave the young Redon the

technical points and impetus he needed at the start of his career.

Redon's father had made his fortune in New Orleans before returning to settle in Bordeaux. In time the family bought a vineyard and its surrounding vineyards, where Redon grew up. Much later, returning there after a long absence, Redon wrote a friend: "Under a lovely light and a fine sun I went out to the Médoc in the vintage season. I am glad I did so for, living there no longer, I understood everything concerning the fatal origins of the utterly sorrowful art I produced there."

Redon's art is always strongest when he lets himself be guided by the unconscious. The result can be unimagineably unforgettable: the huge grinning spider in a lithograph done in 1887; a gigantic floating eyeball surrounded by rays of light, an outsized cannonball being studied by a sort of Assyrian priest — these singular visions are pure Redon in the dark vein; they refer one back to Goya and forward to Alfred Kubin.

But Redon does not have Goya's ferocious genius or Kubin's perverse and pervading terror. Consequently, the tension sometimes drops abruptly and we come upon a work that is no more than a concept that did not fully come to life. The spindly eyes of some of his "elevated" figures can appear self-indulgent, and his female heads are generally problematical (except for a charming lithograph of a girl's head done in 1884) because they have neither hieratic intensity nor fleshly substance.

But Redon's work is clearly the trace of a singular spiritual adventure. The influence of Bresdin at the outset probably encouraged him in this singularity.

Bresdin, the child of a poor Breton family, lived a fiercely independent life in the service of his art that literally kept him a pauper till his

death. During the last five years he even worked as a street sweeper in Paris. His engravings, which have more affinity with works of the German Renaissance than with anything else, are quite without precedent in French art. They are "Gothic" in the English sense of the word, being filled with lurking skeletons and little scowling monsters hidden among the branches of arbutus trees.

It was Redon's admiration for Bresdin, whom he met when he was 23, that caused him to restrict himself to black-and-white media until he was 40. (The show includes a portrait of Bresdin cast as a Rembrandian philosopher.)

But when Redon did turn to color, he did so with an intensity that was really without precedent to that day. He was already a master of the *clair-obscur*, the contrast of light and dark in charcoal drawings and lithographs. And he subsequently transposed this understanding of light to his pastels and oils.

A splendid pastel from the Wooder collection shows a deep blue boat moving across a bright green sea with a sail as luminously yellow as a mustard field in May spread overhead. The interplay of these colors and their intensity suggest that light is pouring out of the picture itself, as in a stained glass window.

Redon had a strong link of friendship with Stéphane Mallarmé, and they were even working on the illustrations of Mallarmé's "Un coup de dés jamais n'abolira le hasard" when the poet died. This, and the subject matter of his work, ties the artist into the Symbolist movement. But his highly individualistic idiom generally preserves him from the clichés one often associates with this tendency.

"Odilon Redon," Galerie des Beaux-Arts, Bordeaux, to Sept. 1; Rodolphe Bresdin, Musée des Beaux-Arts, Bordeaux, to Sept. 1.

Bordeaux also has a splendid space devoted to contemporary art in a former 19th-century warehouse known as the Entrepôt Lainé. Until Sept. 8, it offers an exhibition of recent works by Janis Kounellis (who likes to incorporate fire, in the form of blowtorches, in his work) and by a young Spanish painter, Miguel Barceló, who makes a witty and sometimes aesthetically persuasive use of the currently pervasive expressionist idiom and over-large format.

Viewing Barceló after Redon can be interesting, because some Redon works (his "Cactus Man" for instance) could very well be Neo-Expressionist if they were blown up to a larger scale. But largeness, with some subjects, can be irritating and destructive. Redon's "Cactus Man" is an odd vision that we are willing to consider because it comes to us in a modest format. Equally valid fantasies blown up to colossal size invite rejection because they become too self-assertive.

Barceló's paintings, despite the scale, somehow avoid this pitfall, perhaps because there is a structured intelligence at work in them.

"Kounellis and Barceló," Entrepôt Lainé, Rue Foy, Bordeaux, to Sept. 8.

Cairo's Nightbirds Flock To Glittering New Disco

By Judith Miller
New York Times Service

CAIRO — Two days after the gala opening of Regine's, Cairo's latest discotheque, Egypt's parliament voted to review the country's laws "systematically and scientifically," to eliminate those inconsistent with Islamic law.

Sharia, as the 1,300-year-old Islamic code is known, frowns on alcohol, gambling and the nightclub life — all of which have helped to make Cairo the playground and religious critics contend, the vice capital of the Arab world.

But the assembly's action has done little to dampen the enthusiasm of Egyptians for night life.

"We only had about 50 Egyptian members when the club opened on May 2," Lena Banya, its public relations representative, said. "Now we have more than 100."

The club, in the El Gezira Sheraton overlooking the Nile, is the first of the chain of nightclub restaurants to open in the Arab world, and Regine cut the ribbon and shed the cake. Regine Choukroun, who was born in Belgium and is Jewish, said she had achieved her ambition to become "an international person."

Egyptians say Moustafa Aboualsha, the Palestinian-born owner of the club, paid 300,000 Egyptian pounds, or about \$360,000, for the use of Regine's name.

This is one of the few Arab capitals where such a club could exist, given the growth of Moslem fundamentalism and curbs on the sale of alcohol.

Many guests predicted that Egypt would never adopt Sharia. "It's simply not Egyptian," said one Cairene in an Islamic-style jeweled headpiece.

But last week an Egyptian judge approved the confiscation of 3,000 copies of an unexpurgated edition of "A Thousand and One Nights" on the ground that the classic contained obscene passages.

Regine's gala was postponed at least three times, Egyptians said, while the Panamanian-registered company battled Egyptian customs, which delayed the importation of the strobe lights and stereo sound system.

The club is a masterpiece of disco art. The ceiling is composed of small squares of mirror tiles, and a giant revolving mirrored strobe light hangs above the dance floor. The deep blue velvet chairs and banquettes provide a view of the dance floor and the Nile.

Egyptian women in tight sequined gowns with un-Islamic de-

coltage danced to the music of Michael Jackson, Tina Turner and Madonna. For the men, dress was black tie, or as the invitation suggested, "evening elegance."

An Egyptian cabinet member attended, but he asked that his name not be published. A member of the Moslem Brotherhood, the Islamic fundamentalist political party that is advocating the adoption of Sharia in Egypt, held watch outside.

He scowled at the bare backs and exposed knees. "These people don't belong in Egypt," he complained. "This is decadent."

Decadence in Egypt is expensive. Membership in the club costs 1,500 Egyptian pounds, three times what the average Egyptian makes a year.

The opening-night guests included Iman, a blond actress known for her portrayals of the seductive woman who temporarily steals husbands from devoted but less attractive wives. "It's a wonderful addition to our night life," cooed Iman, whose real name is Louise Sarkisian.

None of the more than 25 celebrities invited to the opening, among them Ursula Andress, John Travolta, Brooke Shields and Julio Iglesias, showed up. But the club assembled eight of what it called the "most beautiful women in the world."

Among them was Miss Egypt, who was Miss World of 1954 and who declined to give her age. She was delighted to be back.

"I'm married and live in Rome," said Antigone Costanda, an Alexandria-born beauty of Greek origin, adding with a sigh, "It's nice to see a little of the old zest and gaiety back in Cairo again."

Dutch Museum to Show Rembrandt Drawings

The Associated Press

AMSTERDAM — Fifty Rembrandt drawings that have not been shown to the public for as long as 100 years are to be displayed at the Rijksmuseum here next month.

The works are among 60 drawings by the 17th-century painter that the museum acquired over the last century, and date from every major period of his life. They illustrate his experimentation with various techniques and media, including pencil, charcoal and pen, and include a study for his painting "The Syndics: The Sampling of the Amsterdam Drapers Guild," which hangs in the Rijksmuseum.

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U.S. Shifts Role in Bid For Peace In Region

By Bernard Gwertzman

WASHINGTON — Once more there is talk of bringing peace to the Middle East, and once more Jordan and the United States are involved in drawn-out discussions about what to do next. This has been happening intermittently for 18 years. And, understandably, there is considerable skepticism in the United States and in the region that anything will come of the latest effort.

What makes this set of discussions different, however, from the abortive efforts of the past is that for the first time, King Hussein of Jordan, in collaboration, albeit uncertain, with Yasser Arafat, the leader of the "moderate" wing of the Palestine Liberation Organization, has taken the initiative. The United States, rather than serving as a catalyst in the Middle East, now is reacting.

And it is reacting with exceeding caution. Having been frustrated so often in the past, most recently a year ago, when King Hussein erupted in anger at Washington, and two years ago when the king gave up on peace talks when Mr. Arafat altered his position at the eleventh hour, the Reagan administration is wary of the Hussein-Arafat set of proposals.

Secretary of State George P. Shultz, who is charged with following up on the plan, in particular seems less than enthused by the Jordan-PLO approach to the peace effort. On a recent trip to the Middle East where he spent several hours with King Hussein in the port city of Aqaba, Mr. Shultz asserted that there was a "genuine sense of movement" in the region, but also many "hard problems" to solve. King Hussein, who was to visit President Reagan on May 29, while in the United States to see his son graduate from Brown University in Providence, Rhode Island, has been pressing Washington to be more supportive.

"For the first time since Israel invaded and captured the West Bank, including East Jerusalem, Gaza and the Golan Heights, 18 years ago, there exists an unprecedented opportunity for the parties involved to reactivate the peace process, based on the return of territory in exchange for peace," King Hussein told an Arab-American group on May 4 in a speech delivered via satellite. "This opportunity should not be missed. It is an opportunity that I know will never come again, if we fail now."

There is, of course, a very special relationship between King Hussein and the United States not shared by any other leader in the Middle East. All the other heads of state who ruled in the Middle East at the time of the 1967 Arab-Israeli war have passed from the scene. And one, King Hussein still relives (Continued on Page 10)



From left, a brick and tile factory near Amman, workers atop a cement factory in Rashadiya, and columns at the Roman city of Jerash. Articles inside.

Despite Drop in Reserves, Economy Keeps Its Balance

By Alan Mackie

AMMAN — It is difficult, driving through the prosperous suburbs of Amman, to imagine Jordan in the throes of a financial crisis. But by any normal criteria it is — and in a major one too.

Since the beginning of the year, the Central Bank's reserves have halved to less than two months of exports — a situation that would have most countries raising interest rates, imposing exchange controls and, at the least, calling in the International Monetary Fund.

But Jordan's situation is anomalous. The economy has survived in a state of irregular equilibrium for so many years now, supporting a chronic trade deficit balanced more or less by inflows of Arab aid and workers' remittances, and caught too, between the political and military maneuverings of Israel and Syria and the changing kaleidoscope of inter-Arab politics, that setbacks tend to be taken for granted, while its international credit has remained good. The foreign public debt is no more than \$2 billion, with no commercial borrowing, and the debt-service ratio is an acceptable 21 percent. The international community is not going to get worried until that credit is exhausted.

There were special circumstances that created the run on reserves. Payments for military equipment and other imports were "bunched" with no compensatory receipts. But most importantly, a \$125-million export credit arranged with Iraq was run up to \$190 million, and Baghdad was slow in honoring it. The situation has eased now with the deliveries of Iraqi oil to the Zarqa refinery, but it placed an acute strain on the Central Bank's reserves, which fell by a total of \$317 million in February and March to \$370 million — and further still in April.

Largely because of a recovery in phosphate sales and a good export performance by the manufacturing sector, the trade deficit dropped 17 percent in 1984 to \$2.03 billion. Largely because of a growth in phosphate sales and a good export performance by the manufacturing sector, principally because of a recovery in exports to Iraq, the trade deficit dropped 17 percent in 1984 to \$2.03 billion. Considering the

However, the reserves benefited from a \$56-million IMF standby facility and a \$70-million bridging loan from the Amman-based Arab Bank.

A \$200-million syndicated loan is being arranged by the Arab Bank, which will in part repay its bridging loan.

However, at best it is a breathing space. Local banking sources estimate that Jordan would have no difficulty raising another \$200 million on the Eurodollar market next year, and it could still make further drawings on the IMF. But another large military loan is believed to be in the offing.

The financial crisis has been exacerbated by the failure of the Gulf states to honor their pledges made at the 1978 Baghdad summit meeting. Arab aid has dwindled from a promised \$1.2 billion to \$500 million, with only Saudi Arabia honoring its commitment in full and Kuwait in part. Last year Qatar and the United Arab Emirates failed to meet their commitment.

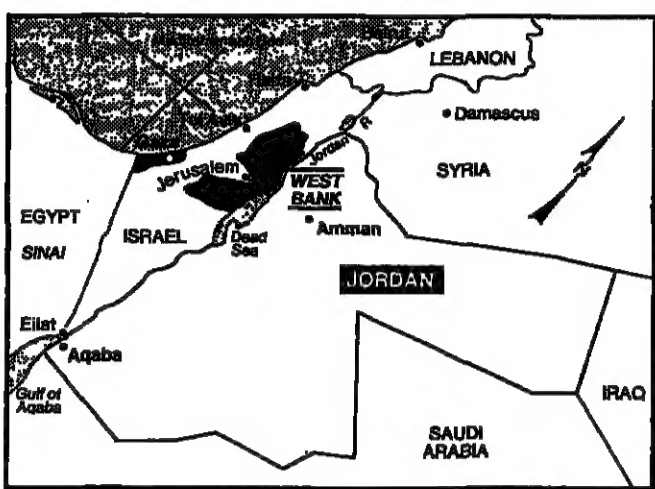
Remittances have kept up well, at \$2 billion a year (roughly split between transfers through the banking system and cash) but their composition is changing. They have been maintained by imaginative new incentives to attract savings of those returning for good. But the numbers of Jordanians finding work abroad is diminishing.

Largely because of a recovery in phosphate sales and a good export performance by the manufacturing sector, the trade deficit dropped 17 percent in 1984 to \$2.03 billion.

Largely because of a growth in phosphate sales and a good export performance by the manufacturing sector, principally because of a recovery in exports to Iraq, the trade deficit dropped 17 percent in 1984 to \$2.03 billion. Considering the

high priority being given to export promotion and the encouraging short-term outlook for phosphate markets, the prospects for further improvements in export are good. But exports, at \$756 million, are a fraction of imports. Containing the import bill at \$2.79 billion last year was only achieved by falls in capital goods and raw-material imports.

As things were, something had to give. The government could not stimulate the economy without embarking in earnest on deficit financing and dragging itself further into ownership and control of the economy. For a country where 70 to 80 percent of government expenditure translates into imports, this



The New York Times

course was a recipe for disaster. As it was, the creeping nationalization of the past six years — when the government consciously took the lead in promoting development — had left the economy increasingly dependent on state finance and at the mercy of public-sector empire builders. It had reached the stage where the worst offender, the Ministry of Supply, had considered nationalization (Continued on Page 9)

Hussein Makes The Rounds for Peace Effort

By Julian Nundy

AMMAN — King Hussein, who acceded to the Jordanian throne 35 years ago this month, has marked the anniversary with a hectic diplomatic round to give new impetus to Middle East peace moves.

The eventual aim is to obtain self-determination and a homeland for the Palestinian people in exchange for peace with Israel.

The king, who is due to meet with President Ronald Reagan in Washington on May 29, has been touring the Arab world to explain his view that a recent accord between Jordan and the Palestine Liberation Organization on a joint peace strategy is the region's "last chance."

The agreement was reached on February 11 after two years of attempts to work out a common strategy to respond to President Reagan's proposal of September 1982 — rejected by Israel — for a degree of Palestinian autonomy under Jordanian guarantees.

King Hussein, in addition to his Arab and Washington visits, is to go to London. The PLO chairman, Yasser Arafat, recently headed a Jordanian-Palestinian delegation to China. Other PLO and Jordanian envoys are visiting the Soviet Union and France.

Jordanian officials stress that there are a few rays of hope in the Middle East these days, although the major obstacles to a settlement remain seemingly unsurmountable. But they also emphasize that they view evidence of quick progress to be essential if the region is not to undergo a destructive phase of radicalization, bringing new acts of terrorism in its wake.

King Hussein, who has had to deal with the loss of the West Bank of the Jordan to Israel in the 1967 Middle East war and with a civil war in 1970 against the PLO, has, nevertheless, managed to build a stable, orderly society, becoming probably the most respected spokesman for Arab moderation in Western eyes.

His country has been among those that have taken the brunt of the Middle East conflict, and some 60 percent of his estimated 2.5 million citizens are of Palestinian stock. These factors put Jordan in a uniquely central position in the Arab-Israeli dispute.

In addition, the king has repeatedly stressed his friendship for the United States and its Western allies, despite many differences of opinion over the interpretation of regional developments and a U.S. reluctance to sell Jordan sophisticated military equipment to match that sold to Israel.

But impatience with wholehearted U.S. support for Israel has been making itself increasingly felt in Jordan and elsewhere in the Arab world.

"How can you have confidence in the United States when your enemy is being armed and you are denied arms of similar importance?" a senior Jordanian official asked. "The Americans say 'we shall not give arms until Jordan sits at the peace table.' What table?"

The main stumbling block in the way of the Jordanian-PLO plan is who would represent the Palestinians living on the occupied West Bank and Gaza Strip.

For the Arabs, there is no doubt (Continued on Next Page)

Aqaba Expands as Resort and Trade Hub

Reconciling and balancing interests and activities of tourism, industry and commerce along a coastline of only 27 kilometers requires careful planning...

By Anne Counsell

AQABA — The once-sleepy fishing port of Aqaba at the southernmost tip of Jordan became a focal point this month when U.S. Secretary of State George P. Shultz arrived for talks with King Hussein on Middle East peace. On April 26, the flags were out for the inauguration of a ferry-boat link between Aqaba and the Egyptian port of Nuweiba in Sinai when King Hussein, Sultan Qaboos of Oman and President Hosni Mubarak of Egypt converged in the port city for the opening ceremony and a tripartite summit meeting.

However, long-term development plans aim to ensure that Aqaba is more widely recognized and well-known for reasons other than periodic meetings. The Aqaba Region Authority, an umbrella for the social and economic development of the area, has recently drawn up a 380-million-dinar (\$1-billion) five-year plan to promote the Red Sea

port as a tourist resort as well as industrial and trade center. This figure, which is equal to the amount invested in Aqaba in the past 30 years, indicates just how much importance is being placed on developing the region's potential.

The task of reconciling and balancing the diverse interests and activities of tourism, industry and commerce along a coastline of only 27 kilometers (16.2 miles) requires careful planning and rational expansion. This task was designated to the Region Authority when it was established in January 1984 as part of a government move toward decentralization. In effect, the authority is an "experiment" in socio-economic development and, if successful, could lead to other similar regional authorities that would relieve central government of much detailed paperwork.

The authority's president, Mohammed Said (Continued on Page 11)



At Aqaba's port, room for swimmers and freighters.

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SHMEISANI, P.O. Box 950544, 950545, Amman, Jordan Cable: BANKARAH Codes: Peterson's 4th Edition

Commercial Bank
Telex: 23091 — 23092

Arab Bank Limited Group Balance Sheet as of 31 December 1984			
	31/12/1984 US\$	31/12/1983 US\$	
Assets			
Cash in hand and at banks	7,477,416,230	7,480,085,117	
Items in transit	9,906,122	—	
Securities and investments	457,778,917	397,450,781	
Investments in associated companies	156,039,936	123,949,214	
Bills discounted	188,963,271	194,851,284	
Loans to customers	2,114,723,590	1,976,043,687	
Bank premises	27,898,826	33,658,068	
Furniture & equipment	26,618,917	25,223,721	
Customers' liability on acceptances	44,171,163	43,435,355	
Other Assets	128,525,900	95,382,678	
Total Assets	10,632,042,872	10,370,079,905	
Customers' Liability on guarantees and letters of credit	1,778,929,001	1,974,846,067	
Total	12,410,971,873	12,344,925,972	
Liabilities			
Deposits and other accounts	10,095,459,757	9,858,935,795	
Items in transit	—	1,858,694	
Acceptances	44,171,163	43,435,355	
Dividends proposed	*19,045,125	20,767,300	
Total Liabilities	10,158,676,045	9,924,997,114	
Shareholders' Equity			
Capital	*64,506,444	72,030,212	
Statutory reserve	52,324,648	50,629,168	
General reserve	146,719,481	141,653,315	
Voluntary reserve	55,552,500	47,174,197	
Retained earnings	41,872,322	39,877,472	
Reserves with associated companies	112,391,432	93,718,427	
Total Shareholders' Equity	473,366,827	445,082,791	
Total Liabilities and Shareholders' Equity	10,632,042,872	10,370,079,905	
Guarantees and letters of credit	1,778,929,001	1,974,846,067	
Total	12,410,971,873	12,344,925,972	

* Decreases in the 1984 figures are apparent. They resulted from the rise in the dollar value against all other currencies.

Notes to Group Accounts

Group accounts prepared for the year 1984 deal with the accounts of Arab Bank Ltd., its subsidiaries and associated companies. The accounts of the Arab Bank (Switzerland) Ltd., a Swiss Company wholly owned by shareholders of Arab Bank Ltd., are also included. In the Group accounts intercompany transactions have been eliminated, while investments in associated companies (20% to 50% ownership interest) are carried following the equity method of accounting.

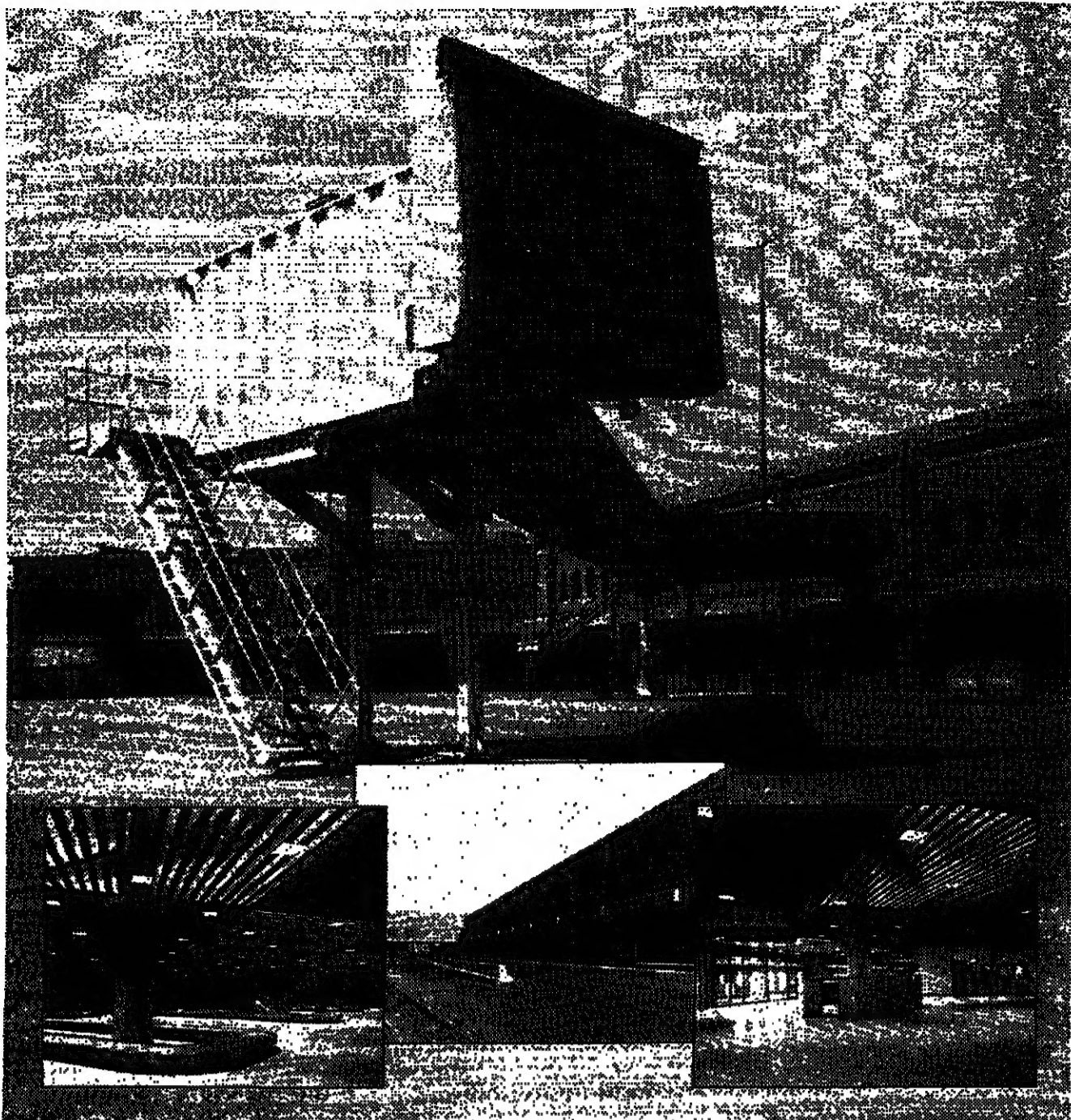
The main entities involved in the group accounts in addition to Arab Bank Ltd. are the following:
— Arab Bank (Switzerland) Ltd., wholly owned by shareholders of Arab Bank Ltd.
— Arab Bank Investment Co. Ltd., London, wholly owned subsidiary.
— Arab Tunisian Bank — 62.4% owned by Arab Bank Ltd.

Associated companies	Percentage Ownership
Arab Bank Maroc	50
Oman Arab Bank	49
Arab National Bank - Saudi Arabia	40
Nigeria - Arab Bank Ltd.	40
UBAE Arab German Bank	37.45
Arabia Insurance Co.	36.67

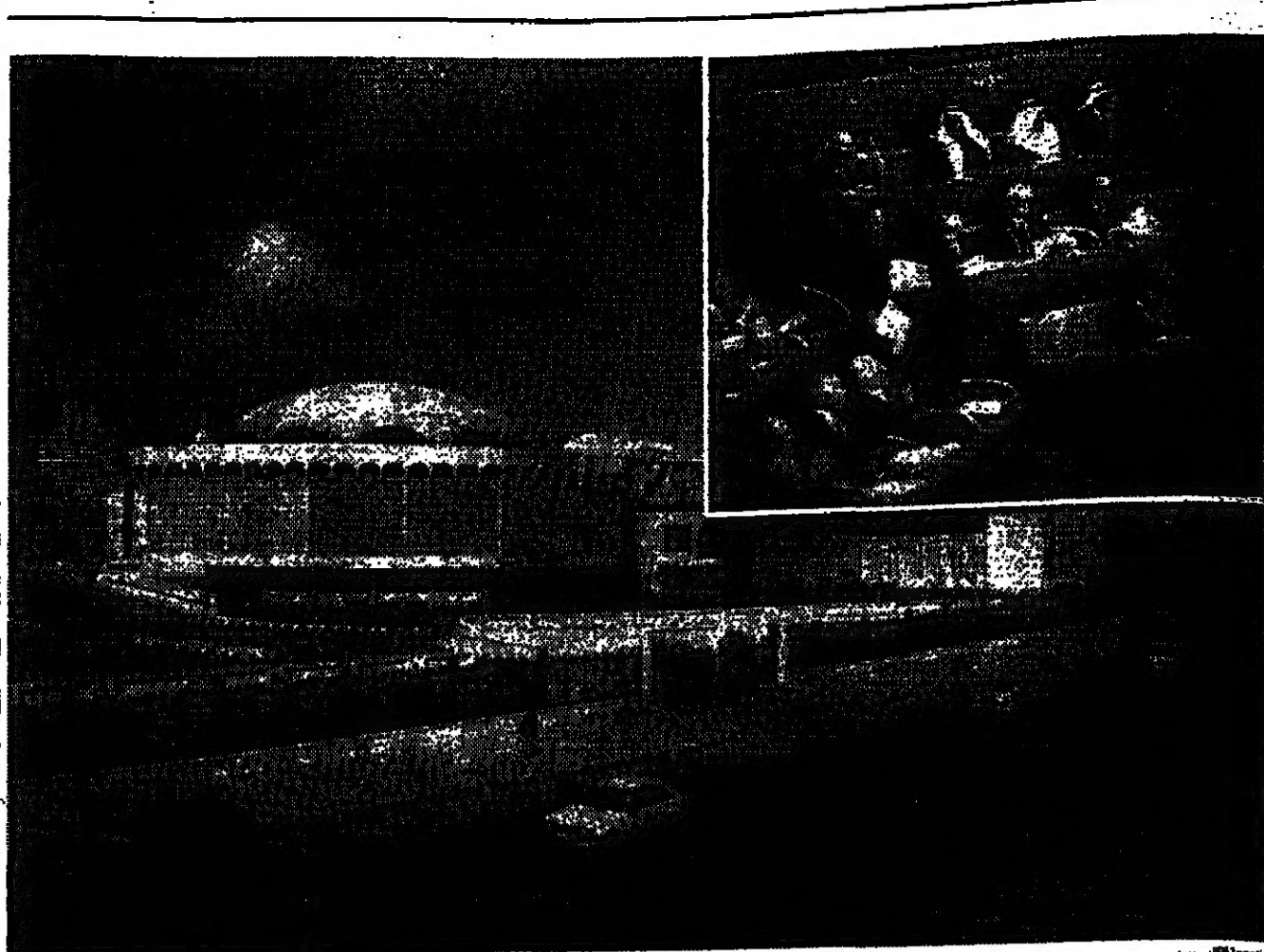
The appropriation account relates to Arab Bank Ltd., as no appropriation has yet been decided with respect to the accounts of other entities included. Exchange rates prevailing at year end have been used to translate balances denominated in various currencies to Jordanian Dinars and US Dollars.

Profit and Loss Account for the year 1984

	1984 US\$	1983 US\$
Operation income	974,327,897	861,374,384
Interest income	877,829,407	757,338,312
Less: Interest paid	98,938,490	104,016,072
Net interest	36,890,301	34,737,319
Commissions	31,552,353	26,703,004
Difference on exchange	54,912,783	34,058,686
Other income	220,033,907	188,815,081
Total Income	1,389,217,841	1,105,893,082
Expenses		
Salaries	82,190,088	52,358,037
Depreciation of premises and equipment	5,179,301	4,391,154
Taxes	23,278,337	15,988,006
General expenses and provisions	74,382,272	62,416,782
Total Expenses	185,030,008	135,153,979
Net profit before appropriation	1,204,187,833	970,739,103
Retained earnings brought forward	31,570,838	25,543,108
Total	1,235,758,671	996,282,211
Dividend appropriations:		
Transfer to statutory reserve	8,049,050	6,087,000
Transfer to general reserve	17,283,000	16,152,000
Transfer to voluntary reserve	12,345,000	12,121,874
Dividends proposed	19,011,300	20,728,400
Directors' remuneration	33,823	40,474
Retained earnings carried forward	41,872,322	39,877,472



A SPECIAL REPORT ON JORDAN



The Parliament building in Amman; inset, members of Parliament in session.

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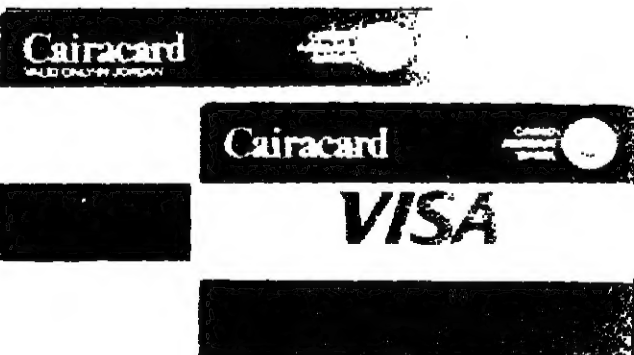
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Parliament Back in Action After Decade

AMMAN — When Prime Minister Zaid Rifai was named to head a new government last month, he had to face a parliamentary vote of confidence preceded by 12 hours of debate. The occasion was evidence of a return to normal parliamentary practice in Jordan after a lull of 10 years.

But, while the lower house of the national assembly resumed its activities last year, the return to a parliamentary system so far seems to be little more than symbolic. "People put a lot of hope in the recall of parliament," a senior Jordanian official remarked. "But in reality it has changed very little."

The 60-member lower house was suspended in 1974 when the Arab League, at a summit meeting in Rabat, Morocco, recognized the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people.

The Rabat resolution put the Jordanian parliament in an awkward situation. Half of the lower house's members represented constituencies in the Israeli-occupied West Bank of the Jordan whose fate, in Arab eyes, had become the responsibility of the PLO and no longer of Jordan.

The members had won their seats for a four-year term at direct elections in 1967 — just two months before the Arab-Israeli war leading to Israel's conquest of the West Bank.

King Hussein then suspended the house and, three years later, replaced it with a National Consultative Council, whose members he appointed in its place. Members of the upper house of parliament, or senate, also are appointed by the king.

But, over the years, six West Bank and eight East Bank lower house seats fell vacant as their incumbents died.

"Parliament's members began to decrease and fears grew that there was no constitutional action possible to redress the balance," said Ahmed al-Lawzi, speaker of the senate and a former Jordanian prime minister.

The dilemma was resolved in January 1984, when King Hussein issued a royal decree calling both houses into session and disbanding the Consultative Council.

Parliament then amended the constitution to authorize by-elections in the five East Bank

provinces. The 54 deputies were then given the task of appointing six new members from the West Bank.

Mr. Lawzi stressed that competition for the vacant West Bank seats was intense, with as many as 30 candidates for one of them.

"The West Bank was occupied; it was impossible to hold elections there," Mr. Lawzi said. "But excluding it from parliament would serve the interests of the occupiers."

Mr. Lawzi and other officials said that the appointment of West Bank members did not detract from Jordan's recognition of the PLO's authority over West Bank Palestinians.

One Jordanian official, himself from the West Bank, said: "They are representatives from the West Bank, not of the West Bank."

At the time of King Hussein's move to reconvene parliament, political analysts speculated that he had done so mainly to enable Jordan to take the initiative toward a peaceful settlement of the Middle East conflict.

In 1983, talks between the PLO and Jordan to find a common negotiating position broke down, leaving the two main Arab participants in any future peace moves without a coordinated policy.

Political observers viewed the king's decision to reconvene parliament as a means of gaining support from West Bank and Gaza Palestinians.

Such motives were denied by the then prime minister, Mudar Badran, who said that the recall of parliament was purely an internal move to revive democratic institutions of the East Bank.

If King Hussein ever did have such plans, they are presumably now in abeyance, since he and the PLO chairman, Yasser Arafat, signed an accord on February 11 this year establishing a joint position on peace negotiations.

At the time of parliament's recall, two possibilities were offered for eventual general elections. One, considered the more likely at the time, was for general elections throughout the East Bank within one year. The other was for parliament to serve a full four-year term until January 1988 before a new poll.

Mr. Lawzi said this month that the parliament would not seek to renew its mandate until it had sat for four years.

The by-elections that followed the recall were many who used to believe in a peaceful approach.

Another official described the problem as "the charisma of violence." "When you are on the road to despair, it breeds a warped and terrorist mind," he said.

Information Minister Mohammed al-Katib said that the PLO was originally only a political movement at its foundation in 1964. The creation of El-Fatah and other guerrilla groups came later. Since its defeat during the Israeli invasion of Lebanon in 1982, the PLO was once more trying a political approach, he said.

"If we lose this chance, the PLO will try again to be more than a political movement; maybe it will be worse than over the last 20 years," he said.

In assessing the chances of King Hussein's initiative, officials point to a number of factors that they say could have a positive influence. As far as Israel is concerned, the positive aspects in Jordanian eyes are headed by the presence of Mr. Peres as prime minister. His approach is less confrontational and more conciliatory than that of his Likud predecessors, Mr. Shimon and Menachem Begin, Jordanian sources say.

In addition, the war in Lebanon gave the Israeli army the impression that it was "fighting a people, not regular armies," Mr. Abu Odeh said, giving Israelis a new view of regional realities.

Other elements considered favorable are the renewal of the U.S.-Soviet dialogue, with its tendency to ease tensions all over the world, and the "beginning of understanding among the higher U.S. echelons of the underlying potential danger

Jordan's first elections to a national institution for nearly 17 years.

For the first time, women were able to vote and 43 percent of the electorate turned out.

Political parties were not allowed, but Mr. Lawzi said, the field of candidates simply represented Jordan's "political trends."

In three of the eight seats, Moslem Fundamentalists scored victories, and an Arab Nationalist, inspired by the ideas of the late Egyptian leader Gamal Abdel Nasser, won a fourth.

When Mr. Rifai, a proponent of free enterprise, faced his confidence vote on April 29, five Moslem Fundamentalists and one Arab Nationalist voted against his government's program. Six other members were absent, which left Mr. Rifai with 48 votes in favor.

One intervention against Mr. Rifai came from Riad Nawayseh, who, according to the official Jordanian news agency, Petra, "criticized the Jordanian-Palestinian accord and the peaceful settlement issue. He asked for relations with the Islamic and nonaligned nations to be bolstered and for a reconsideration of relations with Western states, according to their attitudes toward our cause."

Mr. Nawayseh, the agency added, also requested "that the security forces confine themselves to serving the public and the homeland."

The Jordanian national assembly is, Mr. Lawzi said, the country's "third authority" — after the monarchy and the cabinet.

It functions in a classic parliamentary fashion. Laws may be proposed by the government or by individual members of parliament. Once drafted, they go before the relevant parliamentary committee, such as the finance or foreign affairs committee. The committee then makes a recommendation to the lower house as to whether it thinks parliament should accept, reject or amend the draft.

Once a law has passed the lower house, it is sent to the upper house. If the upper house disagrees with the lower house or wishes to make further amendments, a joint session of both houses is held. A draft can then only be voted into law if the joint sitting approves it with a two-thirds majority.

— JULIAN NUNDT

Hussein Makes Rounds for Peace Effort

(Continued From Previous Page)

The PLO was recognized by an Arab League summit meeting in Rabat, Morocco, in 1974 as the sole legitimate representative of the Palestinian people.

Israel steadfastly refuses to deal with the PLO until it explicitly recognizes the Jewish state's right to exist. Former Secretary of State Henry A. Kissinger promised Israel in 1975 that the United States also would never deal with the PLO until it recognized Israel's right to exist, renounced terrorism and accepted the Security Council resolutions 242 and 338 on the Middle East.

The main thrust of current Jordanian moves is to persuade the United States to soften this stand and at least be willing to deal with Palestinian personalities that Mr. Arafat feels can represent his ideas.

"Why is this statement of our friend Kissinger so sacrosanct?" asked an official at Prime Minister Zaid Rifai's office. "It took Mr. Kissinger a year of secret negotiations in Paris with the Vietnamese to get peace under way. And the United States was really at war with them. I don't see why it [the United States] shouldn't be able to talk with the PLO."

Jordan restored diplomatic ties with Cairo last September after a five-year break over Egypt's peace with Israel. Jordanian officials say that President Hosni Mubarak is pushing King Hussein to deal with the Americans in the hope of finding a way to a peace conference through Washington.

For this to work, any Palestinian delegates to talks with the United States must be interlocutors who have not incurred Israeli odium. One suggestion has been to talk to members of the Palestine National Council, the Palestinians' parliament-in-exile, some of whom are not in the PLO itself.

Israel's reaction has not been clear. Members of Foreign Minister Yitzhak Shami's Likud faction have rejected the possibility outright, while Prime Minister Shimon

Peres's labor alignment has been more flexible.

U.S. diplomats in Amman stress what they consider to be the independence of the council from the PLO, and other Western officials point out that the United States has dealt with some of its members for years.

A number of council members, such as Edward Said, professor of English literature at Columbia University, hold U.S. nationality, which could smooth some diplomatic wrinkles. Even if the United States does sit down with Palestinian representatives, however, Jordanian officials point out that it will only be for talks about talks, not for the start of actual peace negotiations.

"There's no peace process, only

Some diplomats in Amman still express guarded optimism. One, whose brief is to watch the PLO, predicted that there would be tangible progress by October.

ideas for one," one official said. Few Jordanians or Western diplomats in Amman venture much hope of the Hussein initiative making far-reaching progress and most Jordanian officials reply that they are "hopeful but not optimistic" when questioned about it.

But they profess to understand why the king has chosen this moment to press ahead. "If it does not work, it means that the option of peace is finished," said Adnan Abu Odeh, a senior adviser to the royal court. "That does not mean that the option of war will follow, but the option of chaos and anarchy."

The fear behind such words is that popular frustration with years of stagnation in the Middle East will translate into a violent backlash. The example of Israel's modern well-trained army pulling out of Lebanon after being harassed by poorly equipped, ill-trained militias is frequently cited.

"South Lebanon has inflamed some young West Bankers," Mr. Abu Odeh said. "It has influenced

many who used to believe in a peaceful approach."

Another official described the problem as "the charisma of violence." "When you are on the road to despair, it breeds a warped and terrorist mind," he said.

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Other elements considered favorable are the renewal of the U.S.-Soviet dialogue, with its tendency to ease tensions all over the world, and the "beginning of understanding among the higher U.S. echelons of the underlying potential danger

to their interests of the no-war-no-peace situation," Mr. Abu Odeh said.

But the unfavorable aspects noted by Jordanian officials are formidable. They included the composition of the Israeli cabinet, equally divided between Labor and Likud. They said the presence of rightist Likud ministers would hamper any efforts by Labor to move toward the negotiating table.

Another major problem is the radical approach adopted by Syria, which is at loggerheads with both King Hussein and Mr. Arafat.

When the king invited Mr. Rifai, a former prime minister, to return to head the government last month, many observers saw the appointment as a sign that Jordan was willing to repair its poor relations with Syria. Mr. Rifai is known to have kept cordial relations with the Damascus leadership, but both Jordanians and foreigners in Amman say that there has been no sign of any overture to Syria since he returned to the government.

There is little doubt that Syria, which sabotaged the Lebanese accord on Israeli withdrawal from Lebanon two years ago, would do its utmost to upset any initiative toward an overall Middle East settlement that did not include it as a full partner.

Publicly, both Jordan and the PLO insist that any solution must be global and, therefore, must include Syria. They say that the eventual aim would be to convene a peace conference under the auspices of the United Nations Security Council.

Some diplomats in Amman still express guarded optimism. One, whose brief is to watch the PLO, predicted that there would be tangible progress by October. But even tangible progress could hardly be more than a slight advance on a very long road.

Whatever the outcome, King Hussein has committed himself to the process, putting Jordan on the center-stage of Middle East diplomacy in what he feels is a make-or-break effort to preserve Arab moderation.

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Banking Sector Awaits Upturn In the Economy

By Ian Jenkins

LONDON.—The Jordanian banking sector is being hit by the slowdown of the economy and Central Bank regulations that are biting into lending margins. This was reflected by a sharp fall in profits for nearly all the banks in 1984, which is expected to be repeated this year.

At the same time, uncertainty about the regulations affecting foreign banks following the scrapping of indigenous banking is unsettling many bankers. But it is hoped that the new government of Prime Minister Zaid Rifai will lift the economy and assist the strained banking system.

The dip in economic growth to 4 percent in 1984, compared with 8 percent for the past decade, has seriously reduced banking activity and eroded profits. Only the largest local bank, Arab Bank, substantially increased profits in 1984 and this was largely due to exceptionally high provisions in 1983.

The profits of the other eight Jordanian banks fell by 12 percent to 13.3 million dinars (\$24 million) in 1984, and the seven smaller international banks recorded an 13-percent slide in profits, to 3.1 million dinars. And Grindlays Bank made a sizable loss for the second year running.

Bankers blame the Iran-Iraq war and the fall in official aid from the rich Gulf Arab states for the economic downturn. On top of this, remittances from Jordanians working in the Gulf have fallen sharply. This has cut the growth of bank deposits as well as affecting the economy.

The rigid interest-rate structure, which has reduced lending margins to only 14 percent, has contributed to the difficulties facing bankers. Central Bank restrictions place a 10-percent ceiling on bank lending at the same time as increasing the costs of funds by setting a minimum rate for deposits of 84 percent.

Michel Mato, deputy general manager of the Bank of Jordan, said: "The interest-rate system means that banks cannot distinguish between top-quality borrowers and high-risk borrowers." He added that he would like to see a slackening of interest rates.

Mohammad Said Nabulsi, the

governor of the Central Bank of Jordan, is not unsympathetic to this view. "In principle, we would like to see interest rates deregulated...but the evidence is that it would lead to interest rates spiraling upwards."

Some bankers also complain about a liquidity squeeze that is straining their lending ability. This comes at a time when many banks have reached their lending limits of 70 percent of total deposits.

The squeeze has been caused by a tightening of monetary policy with money supply growing by only 1 percent in 1984. Bankers say that Central Bank rules forcing banks to tie up a proportion of their capital and deposits in local shares on the Amman stock market and in Treasury bills has compounded the problem.

But Mr. Nabulsi said: "The word liquidity has been abused in Jordan...It is used by many banks simply as an excuse for not lending."

He added that relaxing the money supply would stoke inflation and that banks can refinance bonds with the Central Bank to ease any liquidity squeeze.

The result of the liquidity squeeze and the tight lending margins has been a fall in lending to the construction and transport sectors, particularly to small private-sector borrowers. This has been accompanied by an increasing emphasis on the safety of state-owned corporations, sovereign lending and government-guaranteed loans. Government debt is also tax exempt, which makes it more attractive.

Foreign banks have had their problems exacerbated by uncertainty about regulations affecting them. One of the first moves of the new government in mid-April was to scrap the policy of indigenous banking. This had obliged international banks in Jordan to become 51-percent Jordanian-owned.

Chase Manhattan's local manager, Steve Crytzer, said he was "absolutely delighted" that the indigenous clause had been lifted. The six other international banks—Grindlays, Citibank, the British Bank of the Middle East, Bank of Credit and Commerce International, Rafidain Bank and Bank al-Mashreq—also welcomed the move.

But the foreign banks now fear that they could fall afoul of another



Customer service at the Jordan Investment Bank.

Central Bank regulation that requires all local banks to raise their capital to the equivalent of at least \$13 million. The rule did not originally apply to international banks because the indigenous clause would have taken their capital over the minimum capital requirement.

Now that the clause has been revoked, the foreign banks, capitalized at 3 million dinars, are beneath the requirement. "I see no reason that there should be any discrimination between foreign and local banks," Mr. Nabulsi said.

"It is unnecessary for foreign banks to have any capital outside their country of incorporation, let alone to have to increase it," one

international banker in Amman said. "The only logic of increasing our capital is to boost the lending potential...but many international banks in Jordan are under-lent."

In a bid to restore growth, foreign and local banks appear to be adopting different tactics. "The Jordanian banks will concentrate on their better clients often at the expense of higher-risk, smaller clients," one local banker said. And a foreign banker noted that foreign banks will play to their strengths by building on their international networks.

The Central Bank has felt for some time that Jordan may be overbanked. Mr. Nabulsi said that he favors mergers and that two banks are holding merger talks. The Central Bank is encouraging the developing of investment banking institutions. Six merchant banks have sprung up since 1982 and they are expected to start making a significant impact in the next few years.

But a sustained recovery in the banking sector depends on the turnaround of the Jordanian economy, and many bankers are convinced that Mr. Rifai could do the trick. He is committed to encouraging private enterprise, and there is an air of optimism in the business community.

Despite Drop in Reserves, Economy Keeps Its Balance

(Continued From Page 7)

nationalizing hairdressers in response to a complaint in the local press by a government employee about his wife's hairdressing bills.

A sharp, decisive break was needed. In recalling former Prime Minister Zaid Rifai, a staunch advocate of the private sector, King Hussein signaled a change of tack.

The new administration intends to exploit the breathing space provided by the country's good credit by bringing the private sector back into the center of wealth-generating, relying implicitly on it to regenerate the economy and limiting its own role to providing the right environment in which the private sector can marshal its skills, resources and capital.

The private sector's initial response to the new government has been positive and enthusiastic. Even when the drain on reserves was most acute there was little flow of capital out of Jordan. Now, the stock exchange seems poised for a slow, sustained recovery judging by the way daily trading volumes have been picking up.

The new trade, supply and industry minister, Raja Masher, wants the private sector to take over the public sector eventually. But it is felt that he will have to tread warily initially, keeping confidence buoyant by making changes where changes can be quickly made, without compromising his options in developing a long-term strategy.

The process of consultation with the private sector is well estab-

lished. The new economic team has met with all the main bodies representing the private sector, and the first moves to sweep back the public sector have been made. The encouragement of Investment Law is to be refined and modified, offering even more inducements to investors. The state-run agricultural marketing company is to lose its franchise, enabling farmers to sell their produce independently, and the Ministry of Supply has lost its monopoly to sell apples.

The indigenous clause stipulating that foreign banks be at least 51-percent Jordanian-owned has been lifted, days after the Central Bank's governor, Mohammad Said Nabulsi, who instigated the program, left the country for medical treatment. Mr. Nabulsi's 12-year tenure as governor has helped the Central Bank to become a major force in financial policy-making—too strong for his critics who feel that by appropriating the functions of the Finance Ministry the Central Bank has contributed to the contradictions and indecision in fiscal and monetary policy-making.

Mr. Nabulsi's stewardship has guided the remarkable growth of preferential credit treatment for the public sector, a preference the private sector is pressing hard to have redressed, and he has been criticized for making the recession worse by his dogged adherence to tough monetary targets. Although the growth in current expenditure has been kept to a creditable 2 percent a year, the government has only managed to keep the budget

more or less in balance by cutting capital expenditure by 3 percent a year over the past three years. The 1981-85 five-year plan is, therefore, likely to be 30 percent underspent. Growth rates have halved from 8 percent since the beginning of the decade and the preliminary estimate for 1984 is 3.5 percent.

Four percent is probably the most that the economy can manage with even, balanced growth over the next five years. Analysts will be watching to see whether the new government lowers its sights to more realistic growth rates when formulating the 1986-90 five-year plan.

They also will be looking to see how far the new, upgraded Ministry of Planning will be able to implement an integrated plan. Ineffective planning is blamed for many of the shortcomings of the current five-year plan and for inefficient use of resources.

But they face a dilemma in falling growth rates. The population is increasing at 3.5 to 5 percent a year and the demand for jobs is growing at 6 percent. The World Bank estimates that Jordan will be able to find jobs for less than half the people coming on the job market even if the economy grows 5 percent a year.

There is some absorptive capacity if Jordanians were prepared to take jobs currently done by expatriates. There are from 110,000 to 120,000 Egyptians working in Jordan alone. The authorities are tackling the problem by introducing a

(Continued on Next Page)



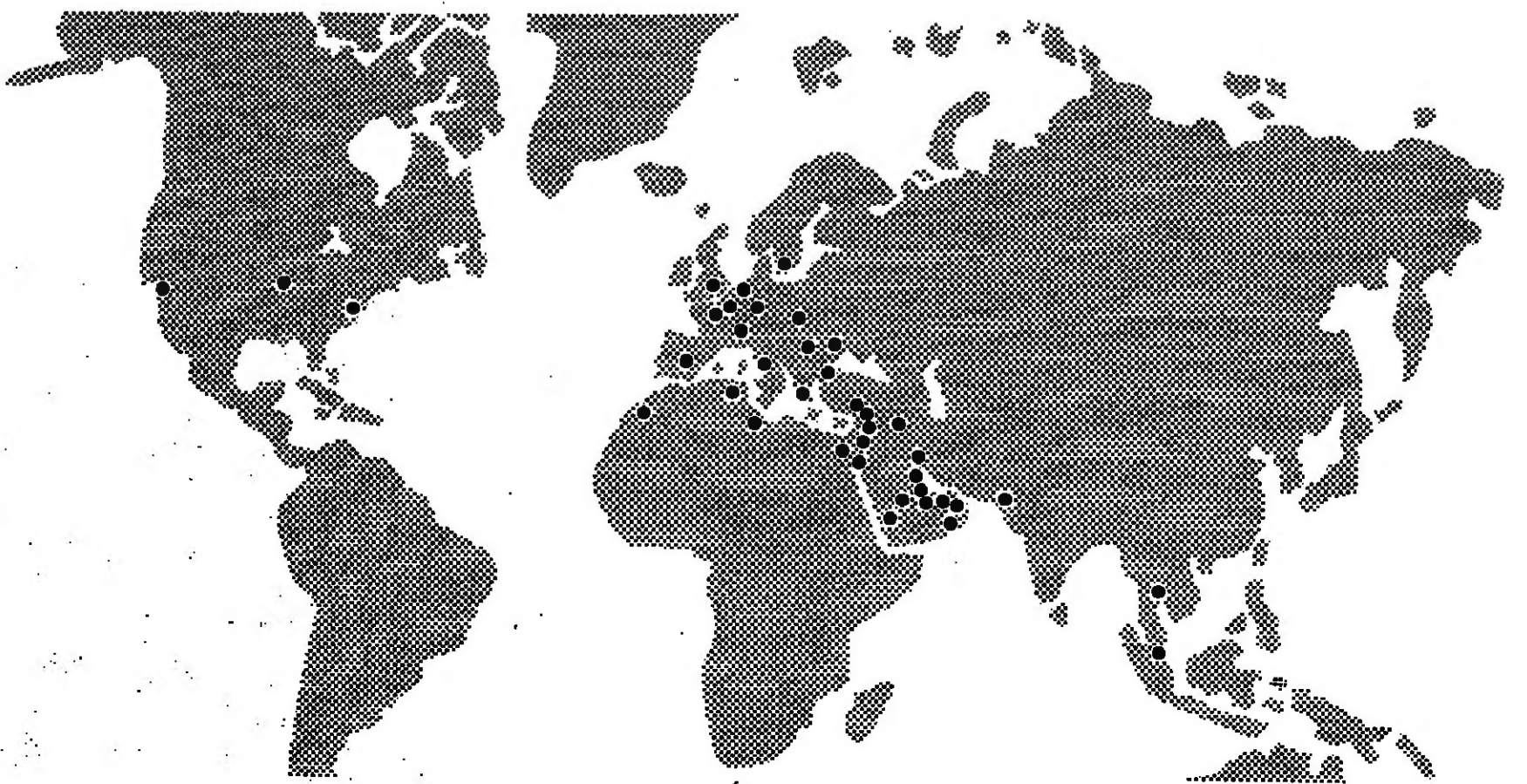
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Alia: The Royal Jordanian Airline



Headquarters of the Arab Bank in Amman.

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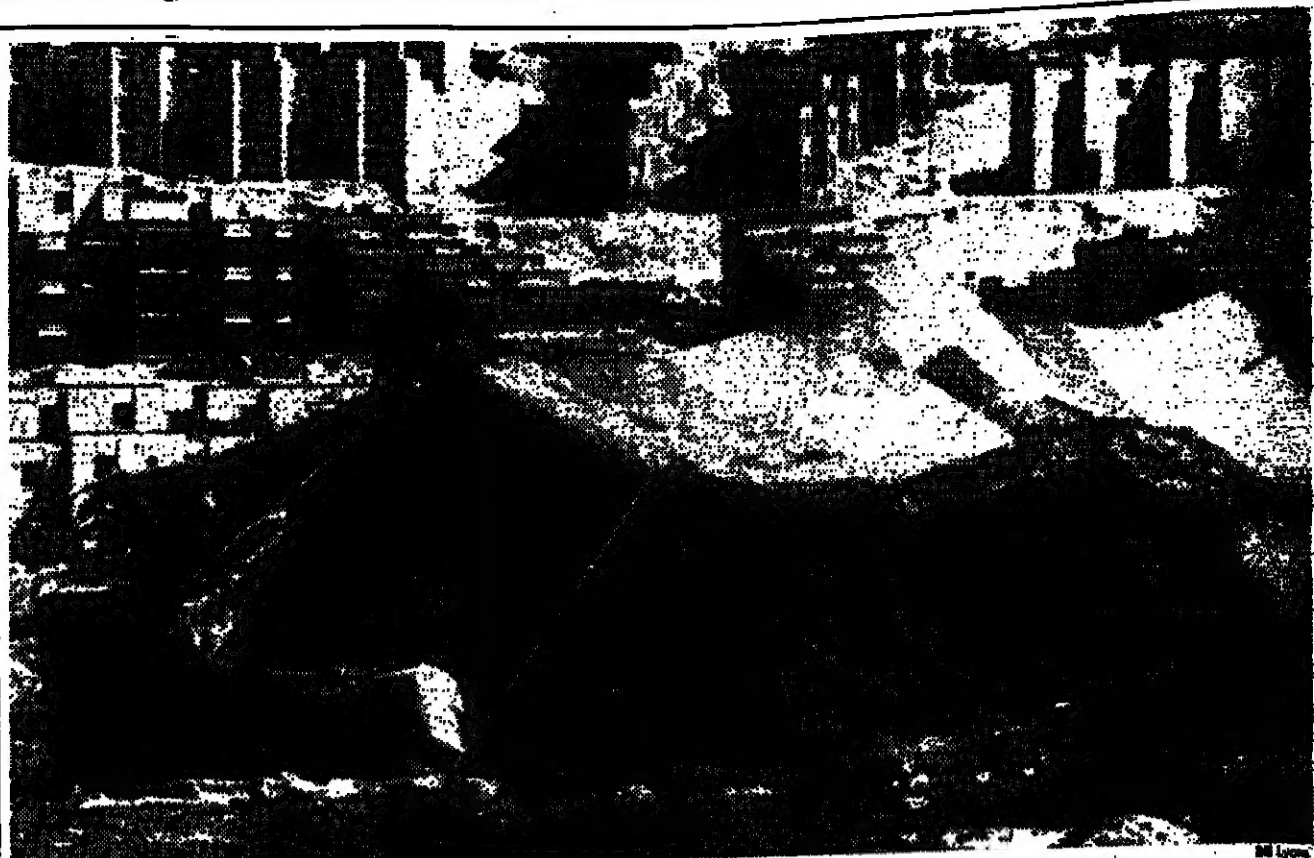
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A SPECIAL REPORT ON JORDAN



A government housing project under construction surrounds a tent at Abu Nusair.

Peace Initiative Depends Upon U.S. Acceptance

By Scott MacLeod

LONDON — In the past six months King Hussein and Yasser Arafat, chairman of the Palestinian Liberation Organization, have forged their closest political alliance with the aim of starting peace negotiations with Israel. Their partnership is in striking contrast to "Black September" in 1970, when King Hussein and Mr. Arafat fought a war against each other. Jordanian and PLO officials believe the alliance is very delicate, however, and could break apart if their "olive branch" does not get a positive response from Israel, or from the United States, Israel's main backer and a traditional broker in the Arab-Israeli dispute.

The expression of the alliance is the agreement signed on February 11 by King Hussein and Mr. Arafat. It says that they have chosen to "move together toward achievement of a peaceful and just settlement of the Middle East crisis." Among the objectives of the prospective joint Jordan-Palestinian negotiation team is an exchange: the "total [Israeli] withdrawal from the territories occupied in 1967 for a comprehensive peace as established in United Nations and Security Council resolutions."

King Hussein and other moderate Arab leaders contend that this amounts to PLO acceptance of the key Resolution 242, which calls on the Arabs to give Israel peace in return for Arab lands captured in the 1967 war.

They have asked the United States to reward the PLO — through such gestures as ending the U.S. diplomatic boycott of the organization — and thereby stimulate the peace process. But American as well as Israeli officials voice skepticism of the February 11 agreement. They point out that senior PLO officials have offered differing interpretations, and that it still falls short of their demands for the PLO to unequivocally acknowledge Israel's existence and renounce terrorism.

"If it becomes the conviction of the Palestinians that there is no possibility of progress at all, then they may decide there is no reason to continue working with us in exploring different

approaches to peace," said a high-ranking Jordanian official who asked not to be identified. "The Palestinian moderates will be weakened, and the hardliners strengthened."

Supporting this view, a PLO official said: "We are waiting for King Hussein to meet with President Reagan. (The talks are scheduled for Washington May 27.) If the Americans do not adopt a more positive attitude [toward the PLO], then everything will be re-evaluated."

Jordan thinks a breakdown of its alliance with the PLO could have dangerous consequences. King Hussein feels the Palestinian issue is Jordan's biggest problem — and a bigger problem for Jordan than any other Arab state — considering how the affairs of Jordanians and Palestinians are intertwined. Thus, King Hussein has emphasized that a Jordanian-Palestinian alliance may be essential for successful Middle East peace negotiations.

But simplistically, Jordan's "Palestinian problem" is the West Bank, the Biblical land, which has great strategic significance today. Israel seized it from Jordan 18 years ago, but many Palestinians demand the establishment of an independent state there.

The West Bank, consisting of about 2,000 square miles (5,152 square kilometers) inhabited by 800,000 to 1 million Arabs, is sandwiched between Israel proper and Jordan. Until its future is peacefully resolved, Jordan does not feel it can rest easily.

Palestinian Arabs began substantially integrating with the largely bedouin population of Jordan following the 1948 war in Palestine. After Israel won independence as a Jewish state, Jordan's King Abdullah absorbed the uncaptured territory in Palestine into his own realm, which until then included land only on the East Bank of the Jordan River.

As many as 60 percent of Jordan's 2.5 million citizens are of Palestinian origin, not including the people of the West Bank who despite the Israeli occupation continue to hold Jordanian passports. There are 750,000 people residing in Jordan who are registered as refugees from

Palestine with the United Nations. A third of the refugees live in camps.

Palestinians have come to play an important role in Jordanian politics and society. Half of the present Cabinet are Palestinian Jordanians, including the foreign minister, Taher al-Masri. Palestinians are greatly involved in business and commerce, notably the banking sector.

Many Palestinians in Jordan openly support the PLO and would like to return to their former homeland while at the same time they feel a loyalty to King Hussein for the stability and relative prosperity he has brought to the country.

Previously rocky relations between the monarchy and the guerrilla organizations — which underscore the fragility of the present Hussein-Arafat alliance — were rooted in historical divisions between Jordan and Palestine as well as opposing ideas on how to deal with Israel.

King Abdullah was assassinated in 1951 by a suspected Palestinian nationalist. His grandson Hussein, then 15 years old, was at his side and narrowly escaped the gun attack.

The growth of a revolutionary Palestinian liberation movement in the 1950s and 1960s posed a threat to some Arab regimes, including the Jordanian monarchy. Israel responded to terrorist attacks by hitting its Arab neighbors. Palestinian militancy was fueled by the formation of the PLO in 1964 and then Israel's humiliating defeat of the Arab states in the 1967 war. In 1970, the PLO tried to overthrow King Hussein.

The "Black September" crisis started when one of the most radical guerrilla factions, the Popular Front for the Liberation of Palestine, hijacked three passenger airliners and flew them to the Jordanian desert. Ostensibly the purpose was to hold the passengers hostage until Palestinians were freed from Israeli jails. But it became evident the Popular Front wished to provoke a crisis with which to destabilize the Jordanian regime.

King Hussein ordered his tough bedouin army to crush the Popular Front. (Continued on Page 13)

U.S. Shifting Its Role in Bid for Peace in Region

(Continued From Page 7)

that war and the diplomatic aftermath, a war that was catastrophic for Jordan.

The June 1967 war began in a wave of Arab nationalist fervor, led by President Gamal Abdel Nasser of Egypt, who seized the world's attention in April and May of that year by expelling United Nations forces from the Sinai, where they had served as a buffer with Israel, and closing down Israeli access to the port of Eilat.

It is still debated by historians whether Mr. Nasser, who was goaded into action by the Soviet Union and Syrians, knew what a risky course he was embarking upon. The Israelis struck suddenly in response to these provocations and in six days captured the entire Sinai and the Egyptian-controlled Gaza Strip, as well as the Syrian Golan Heights. King Hussein, feeling he could not stay out of the war, disregarded Israel's warnings and entered the fray. The result was the loss not only of the West Bank of the Jordan (which Jordan had occupied since the United Nations partition plan of 1948) but also the end to Arab control of East Jerusalem. The Israelis quickly incorporated the Old City into the Israeli part of Jerusalem.

In the aftermath of that war, Washington took the lead in working out a diplomatic formula once and for all ending the cycles of war in the Middle East. The ultimate result was United Nations Security Council Resolution 242 of November 1967 that in effect called on Israel to return the lands it had just occupied in return for secure and recognized borders. King Hussein, who had been humiliated by his loss of East Jerusalem in particular, seized on Resolution 242 as the way to recover his lands.

But despite the readiness of some Israeli leaders and of King Hussein to negotiate on the basis of 242's formula of "land for peace," the other Arabs rejected negotiations. And the Israelis were never willing to give up East Jerusalem and they were ambiguous about the return of the West Bank. The result was long years of stop-and-start diplomatic efforts, usually pushed by the United States. Not until Anwar Sadat became Egypt's president did an Arab leader come forth to negotiate by himself with Israel. As a result, he recovered the Sinai for Egypt in return for peace as the result of the Camp David accords of 1978.

The Reagan administration, try-

ing to revive the peace process in 1982, proposed a plan based on Resolution 242 and Camp David, which to meet King Hussein's special needs, called for new negotiations, leading to autonomy for the 1.3 million Palestinians in the West Bank and negotiations leading to an association between the West Bank and Jordan. King Hussein solidly endorsed such a plan, but the PLO, committed for so many years to the concept of an independent state and wary of Jordan after the bitter fighting of 1970 that led to the expulsion of Palestinian military units from Jordan, did not agree to the plan.

The United States, embittered by the developments in Lebanon that led to a collapse of American diplomatic efforts, had, in effect, put the Middle East aside when King Hussein in late 1984 began trying to renew interest in peace talks. He allowed the Palestine National Council, the parliament for the PLO, to meet in Amman, and on February 11, 1985, he and Mr. Arafat signed an agreement calling for negotiations in an international format on "land for peace." The Jordanians and Palestinians would be in one delegation, and they would agree to accept all Security Council resolutions, but did not

explicitly state its agreement to 242.

In addition, the Jordanians proposed as a goodwill gesture that Washington receive this joint delegation. Washington had problems with the formula but was otherwise encouraged by the initiative taken by the Jordanians. The American concerns were these: The U.S. has a long-standing pledge to Israel not to negotiate or even deal with the PLO until that group explicitly recognized Israel and accepted Resolution 242 and a follow-up one, 338 of 1973. Secondly, Washington did not like the idea of an international (Continued on Page 14)



Inside the Dar Al Dawa pharmaceutical plant near Amman.

Economy Keeps Balance Despite Drop in Reserves

(Continued From Previous Page)

pre-secondary school examinations that rigorously screens pupils according to vocational and professional demands.

The government, meanwhile, aims to place as much of the investment burden as possible on the private sector, which is being asked to provide half of the industrial investment in the new five-year plan. Self-sufficiency in agriculture is being encouraged too — Jordan imports 60 percent of food — as are industries that use indigenous raw materials instead of imports.

On the diplomatic front the government is likely to press Saudi Arabia to delay settlement of its oil bill — Jordan buys all the oil not acquired from Iraq from Saudi Arabia at OPEC prices and the oil bill was \$665 million last year — and renege its commitment to underwrite aid contributions from the Emirates and Qatar. Oil finds on the Iraq-Saudi-Jordanian border are being played down for fear they might jeopardize aid payments. The prospecting, being undertaken by Romania, is in a geologically difficult area, the investment is small and the technology dated.

In the absence of a comprehensive Middle East peace, Jordan has little choice but to continue juggling its political and economic options and shouldering the burden of a 100,000-member standing army, which takes up more than 50 percent of government revenues.

Tourism Industry Begins to Expand With Longer Season

AMMAN — Traditionally, Jordan's tourist season begins to wind down soon after Easter, but the Alia, Royal Jordanian Airlines, Boeing 747, on its way to Amman a few days ago was booked solid with French and English tourists.

The longer season and the wider mix of activities — other than the conventional visits to Petra, Jerash and the crusader castles — now offered is a sign of the growing confidence and expanding horizons of Jordan's tourist industry.

The changes have, to some extent, been dictated by necessity. Tourism, like other sectors of Jordan's economy, is highly vulnerable to external circumstances and shifting market patterns.

Amman's hotel industry, in particular, has been hit by the economic slump of the last two years. Many hotels in operation are facing an uphill struggle to break even while a few that were due to come on stream have been mothballed or their completion has been delayed.

However, the disappointing tourism revenue figures, which show a drop of 12 million dinars (\$30.36 million) to 172.3 million dinars in 1984 and a continuing decline as a percentage of gross national product from 13-15 percent before 1981 to a current 10 percent, paint a deceptive picture for they include revenue collected from all nonresident sources.

Arab nationals made up nearly 80 percent of the 1.59 million foreigners that entered Jordan in 1984. Of these, Syrians accounted for almost a quarter and Egyptians one-half.

A fall of more than 10 percent in the number of Egyptians transiting Jordan to work in Iraq or the Gulf and visiting Syrians accounted for most of the 6-percent drop in arrivals in 1984.

Business travel, which has a direct bearing on tourist facilities such as hotels, also was sharply down. There also was a decline in tourist business from North America, but this was offset by a rise in European business, especially package tours, which are the core of trade with Europe.

How to find new business and achieve a better utilization of existing resources is the authorities' main preoccupation and has focused attention on the need for greater coordination between the private and public sector.

Part of the industry's problems stem historically from the loss of identity that followed Israel's seizure of the West Bank in 1967. The loss of the lucrative, undemanding Holy Land tourist trade hurt the private sector and left the government to shoulder most of the burden of development in the 1970s alone.

It is not surprising, therefore, that the state has assumed a dominant role in the industry — so much so that even in Amman and Aqaba, where private sector investment has been confined, the state has played a leading part in financing and developing big hotels.

The private sector has contributed about half of the 200 million dinars put into the tourist industry since 1973, but mainly in peripheral activities.

Since 1980, the Tourism Authority has been developing a marketing strategy to give the tourism industry a clearer profile. Distinct areas of tourism have been defined:

the archaeological sites and antiquities, Amman as a business center and a gateway to the Middle East, Aqaba as a winter and increasingly year-round resort.

A program of reshuffle construction has been instigated and a company set up to develop the mineral hot springs at Zarqa Ma'in.

In addition, the government has allocated funds for the development of Wadi Rum, the desert valley immortalized by T.E. Lawrence in "Seven Pillars of Wisdom," by commissioning the University of Florence to study rock inscriptions and hiring a mountaineering group to devise a rock climbing program.

The Tourism Authority has been promoting two-stop holidays taking advantage of Jordan's strategic position in relation to other regions and tourist centers. Two-stop tours have been arranged with Syria, the Holy Land, Egypt and even the two Yemens.

The recent opening of the Nuweiba-Aqaba ferry expands the whole of Sinai for Aqaba-based tourism, particularly the superb scuba diving off Ras Mohammed and the monastery of St. Catherine. However, it is not yet clear whether the ferry, which will cater principally to Egyptian expatriates returning home overland, will have sufficient facilities to attract tourist traffic on the three-hour crossing.

Aqaba still needs considerably more investment if it is to become fully competitive with nearby Eilat, in Israel, which has been an outstanding success as a beach resort. The main handicap is price. Package tours to Eilat cost a fraction of the tours to Aqaba mainly because foreign tour operators can fly directly to the Israeli resort, whereas all incoming air traffic to Jordan has to pass through Amman.

The state airline, Alia, is acknowledged to have done a good job in promoting Jordanian tourism, but its interests and those of the industry often are in direct conflict, as the airline does not fly to tourist areas.

The 1986-90 five-year plan, which is being drawn up, will put greater emphasis on marketing, says the Tourism Authority's marketing director, Ahmed al-Bahri.

It is an emphasis that Muntir Nassar of Intercontinental Travelers Travel Co. welcomes. In his view, a good start has been made over the last three or four years to coordinate marketing between the ministry and travel agents. But he thinks that the ministry should take a much more assertive role in marketing.

The first priority is getting higher occupancy rates in Jordan's 12,000 hotel rooms. Mr. Nassar said that he thinks that demand in Amman is gradually catching up with supply and, "providing they don't start another 300-400 room hotel," things should start looking up in 1986-87.

The statistics bear him out. Hotel bookings are running 20 percent ahead of this time last year, and tourism is consequently expected to bring in 190 million to 200 million dinars in the current year. But it is a measure of the competitiveness of the international tourist market and how vulnerable Jordan's position is that this is about one-third less than the 280 million dinars in revenues envisaged for 1985 in the 1981-85 five-year plan.

— ALAN MACKIE



The gold market in Amman.



An Amman shopowner and his wares.

Zarqa Ma'in Hot Springs Resort Needs New Head of Steam

ZARQA MA'IN — In the cavernous skeleton of the main hotel, a Saudi tourist was enjoying a picnic with his family, his Range Rover parked in the lobby and the debris of his meal strewn over crates of sophisticated equipment waiting to be installed. It was the only sign of activity at Zarqa Ma'in, an arid gully reached by a tortuous 15-kilometer (9.2-mile) drive through the foothills of the Dead Sea, where the Middle East's first full-fledged thermal spa is being built.

Zarqa Ma'in has been renowned for its hot springs since Biblical times. King Herod is reputed to have bathed there and today, tribesmen come from hundreds of kilometers around to avail themselves of its curative powers.

It was to profit from this regional popularity that the Jordanian government decided five years ago to develop the springs as a resort. It planned a general recreational area with picnic grounds, camping site, swimming pool, thermal baths and holiday chalets, and a 142-room hotel with its own sports and medical facilities to cater to a wealthier clientele.

A government-controlled company, the Jordan Tourism and Spa Complex Co., was set up in 1980 with a capital of 2.5 million dinars (\$6.3 million) to finance the project and the Industrial Development Bank provided 3 million dinars in loans. Soon after, Al Habbour Contracting Co. of Dubai was appointed general contractor.

Work on the project was under way when the management contract was awarded in December 1982 to a local company, Nabih Nazzari and Sons, in conjunction with the Belgian fast-food group, Restobel, which set up a joint venture, Middle East Tourism Services and Management Co. (Metma). They brought in Spabell, thermal baths specialists, as technical assistants, and the Belgian connection was further strengthened by the award of the contract for the fixtures and fittings to SRZ International on the back of a promised 2-million dinar Belgian government credit.

It was clear from the outset that the project was undercapitalized, but work continued until mid-1982, by which time the main contractor was owed nearly

700,000 dinars. Then the Jordanian authorities refused to renew the work permits of the 150 Indian and Pakistani laborers and the project began grinding to a halt. However, it was the flash floods of last October that provided the coup de grace, leaving a trail of destruction and a bill for damages estimated at between 500,000 dinars and 1 million dinars.

With the project inadequately insured, it has still to be determined who is responsible for paying the bill. A further 300,000 dinars will have to be found for flood-protection measures.

There matters rest, the springs continuing to work their spell on visiting Saudis and Kuwaitis, who seem indifferent to the devastation.

Daniel Philippart, the general manager of Metma, believes the project is so far advanced that the government cannot afford to write off the 5.5 million dinars already spent. He thinks Metma's recommendation to double the capital to 5 million dinars, with the increased leverage this would provide to raise credit, plus the 2 million dinars the Belgian government has

agreed to supply, should be sufficient to cover the 12 million dinars the project now is expected to cost.

Mr. Philippart has nailed down a contract with the Munich-based health-tours group, Med Tours, which will guarantee the project's viability. Med Tours has signed an undertaking to book 50 rooms year-round and would like to take 100. It is even prepared to invest 1 million Deutsche marks in a small treatment facility on the Dead Sea, a project that is part of Metma's development plans.

The combination of the Dead Sea's topography, 300 meters (984 feet) below sea level, and the springs' minerals produces a unique cure for psoriasis, a nervous skin complaint common in developed societies. The significance of the German deal is that it is to be financed by the state medical service. Mr. Philippart believes this could be made the precedent for other European countries.

If the money can be found, Mr. Philippart said, the project could be finished in time for an opening next spring, a year behind schedule.

— ALAN MACKIE

Aqaba Expands as Resort And Hub of Shipping, Trade

(Continued From Page 7)

Nowar, acknowledges that he has no easy task but is optimistic that encouraging the private sector to invest in the city's development, by extending financial incentives and public services, will in the long run insure the success of projects. A plan to grant free-zone status to the whole city is pending but amendments to facilitate import procedures and to encourage trade are on the way and are expected to attract business and industry to Aqaba.

Attention also is being given to the port area, which is gradually becoming more organized. Hurdled erected warehouses and temporary fixtures such as floating berths — bought to deal with the surge in transit trade to Iraq as a result of the Gulf War — are being replaced with new, permanent facilities to cope with changing trends and increasing trade activity.

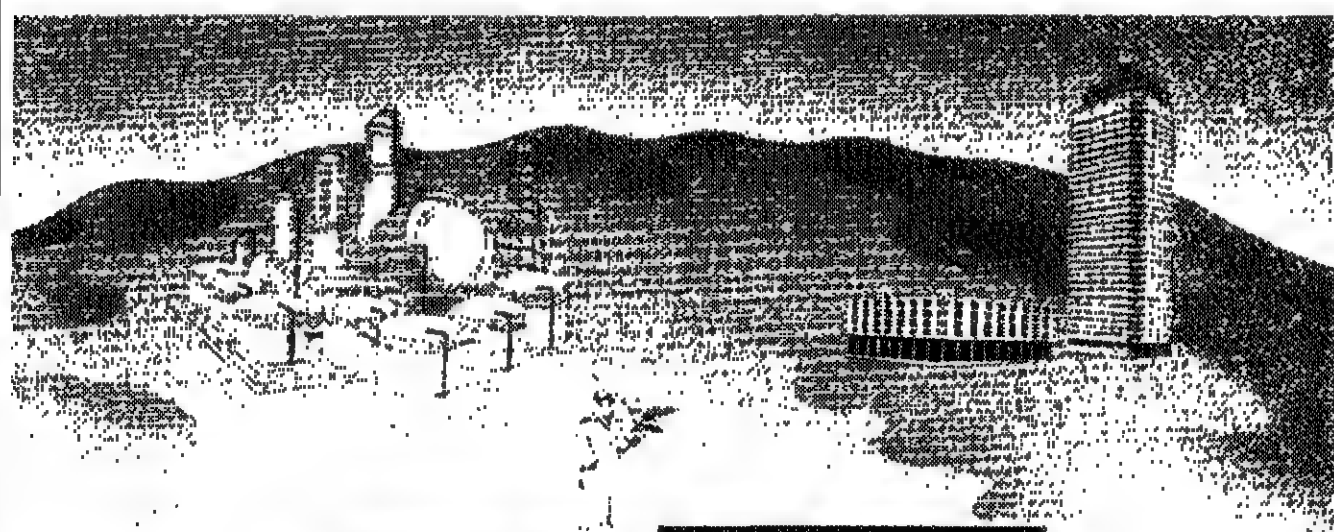
Although Iran curtailed imports as money supplies dropped, the legacy of the Iran-Iraq war has continued to shift trade from the Strait of Hormuz to the Red Sea; cargo han-

dled at Aqaba has been steadily rising from 60,000 tons in 1953 to more than 12 million tons in 1984, with total transit handling increasing from 163,268 tons in 1979 to 3.48 million tons in 1983.

Container traffic through the port has risen dramatically, growing from fewer than 3,000 units in 1976 to more than 120,000 in 1984. A \$60-million container port with roll-on-roll-off berths, straddle carriers and gantry cranes went into operation in November 1984 and once the main container storage building is completed this year, Aqaba will be fully equipped to handle giant, third-generation container vessels, which are the future of global shipping.

New developments are under way to improve facilities for Jordan and the port's biggest export item, raw phosphate rock. Increasing production from the kingdom's three mines in the center of the country, coupled with a formula to partly pay suppliers and contractors with phosphates, have resulted in growing phosphate exports — rising at an average of 7 percent a

(Continued on Next Page)



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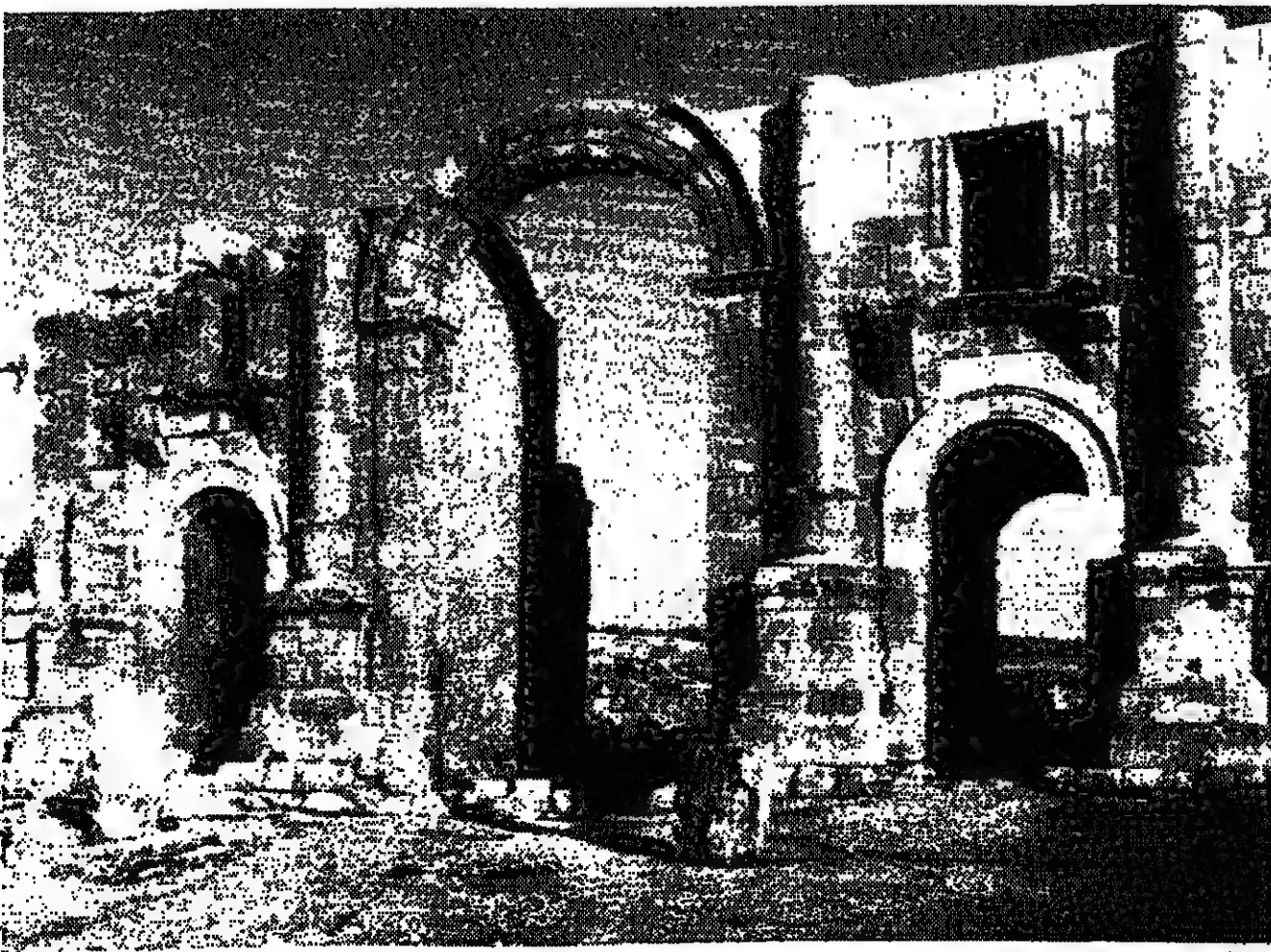


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The ruins at the ancient Roman city of Jerash.

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A SPECIAL REPORT ON JORDAN

Barter Deals Give Industry Hopes for More Profits

AMMAN — Industry, like most sectors of the Jordanian economy, is feeling the effects of the recession, and it also is reaping the whirlwind of bad planning over the past five years. This is particularly the case in the larger state-controlled companies where production plans have been allowed to dictate the level of investment.

A wood-manufacturing plant, for instance, built three years ago never had the chance of making a profit against Eastern European dumping, while cement production has been increased well beyond the country's needs and the region's capacity to absorb. Goods and commodities have been produced for export markets that have not materialized, forcing the government into barter deals — principally with Egypt and Iraq — to place surplus production.

But barter trade can be but a temporary expedient for a country like Jordan that can survive only by remaining internationally competitive. At best, it offers a breathing space for restructuring and nationalization. The emphasis, therefore, is on marketing — across the industrial spectrum — and on raising productivity and quality so that Jordan's products will be able to hold their own — if not in European markets — at least in the increasingly competitive regional ones.

Government help for industry through industrial estates and free zones, and especially the Encouragement of Industry Law, which offers regionally graded tax holidays and other concessions, is generous. Now, the government aims to boost industrial exports by improving overseas commercial representation and is considering introducing export incentives.

Jordan has a fairly long history

of industrial development by regional standards. The Jordan Cement Co. was founded in 1950 and the Zarqa oil refinery was built six years later. The government has tended to finance the heavy and attractive industries like phosphate mining — Jordan is the third-largest phosphate exporter in the world after Morocco and the United States — but, with the heavy promotion of the public sector in the past six years, state involvement in industry has gone much deeper.

It was inevitable, given the larger capital resources required by industry in the 1970s, that the private sector should take a back seat to the government and the state institutions like the Pension Fund, the Social Security Corp. and the Industrial Development Bank in extending credit to industry. It was a short step from there to giving preferential loans and tariffs to the public sector.

This discrimination against the private sector only hit home in 1983 when markets contracted, and it certainly contributed to its lack of confidence. Measured by Industrial Development Bank disbursements, industrial investment in 1984 fell to the lowest level since 1980.

The initial response of the private sector to the new government has been extremely positive. The new minister of supply, trade and industry, Rajai Muesher, has declared that he intends to get the government off the back of the private sector. If he sticks to his goals, two institutions, the Pension Fund and the Chamber of Industry, are likely to assume increasing importance in industrial development.

The Pension Fund already is negotiating to take over the Ministry of Industry's 100-million-dinar (\$253-million) portfolio, which would raise its combined assets to 141 million dinars and make it de facto the government investment arm of industry. The Social Security Corp.'s total assets are 85 million dinars and the Development Bank's outstanding loans and equity amount to 29 million dinars.

The Pension Fund is working with the Development Bank on wood, glass and carton-paper projects. It also has a number of other projects under study, including a pumps plant and a small-scale automobile tire factory. In both cases feasibility will depend on suitable technology and sufficient domestic demand to sustain the bulk of production. A sound domestic market base is a major criterion of investment viability.

The fund also has asked the

Phosphate Profile

(in thousands of metric tons)

Production		
1984	1983	% change
6,236	4,748	+32
Exports		
1984	1983	% change
4,695	3,688	+27
Domestic sales		
1984	1983	% change
975	631	+55

Source: MEED/Ferteccon, London.

Aqaba Expands as Resort
And Hub of Shipping, Trade

(Continued From Previous Page)

year. Initial studies at the Shidiyah site in southern Jordan indicate that phosphate exports could rise to about nine million tons annually by 1990 once the mine is opened.

In anticipation of increasing exports, the Ports Corporation recently signed a contract for a new phosphate loading facility. Phosphate Berth C, with a capacity to handle 1,000 tons per hour. The project, expected to be completed by November of this year, will raise the phosphate export capacity of the port by from 1 million to 1.5 million tons.

Although Jordan has been reducing its imports of luxury goods, due to an increasing trade deficit, imports of basic commodities have been rising. In February 1985 the West German company Zeppelin won a contract to build a wharf south of the main port area to be used for importing and exporting oil products, chemicals and vegetable oil. The 2-million-dinar project, expected to be completed by August 1985, will enable large and medium vessels of 50,000 to 30,000 tons to dock at the harbor.

Grain shipments are big business for Aqaba as present as both Iraq and Jordan's grain production is down due to the war and winter drought respectively. Iraq — helped by U.S. government credits — will import a total of six million tons of grain in 1985, 3.5 million tons of which will be handled through Aqaba. A specialized floating bulk terminal can hold 400,000 tons of grain and is capable of loading 300 trucks at a time. Grain handling through the port this year is expected to earn Jordan \$14 million in port dues and a further \$100 million from trucking fees.

A \$20.75-million contract for the construction of a terminal to handle exports of Iraqi crude oil has been awarded to an international company and is scheduled to start operations by August. If a proposed \$1-billion pipeline from Iraq to Aqaba ever materializes it will link with the terminal and crude will be discharged directly into docked tankers.

However, problems remain in Aqaba's rapid port development — the organization of trucks for overland transport and road/rail transportation facilities. Long delays while appropriate lorries are found to transport cargoes offset the advantage of no waiting time for ships to dock. Projects to improve the situation are included in both the Aqaba Region Authority and national five-year development plans. Upgrading the railway line and diverting heavy traffic from the center of Aqaba are priorities to improve the situation.

Progress in developing tourism has not been as rapid as the almost dramatic promotion in the port,

but the authority is planning to rectify the situation with several long-term projects to maximize the available tourist facilities and to build recreation and sports complexes.

The newly opened Aqaba-Nuweibe ferry boat link and an agreement with Egypt to promote tourism in both countries is likely to increase the number of tourists to Aqaba. However, the authority is keen to encourage Jordanian families to vacation in Aqaba instead of abroad. The five-year plan includes the construction of 10,000 to 15,000 holiday bungalows, which will be offered for sale for between \$27,000 and \$70,000. The \$25-million project will be sited on a 6.5 kilometer stretch of coast and on terraces overlooking the beach area.

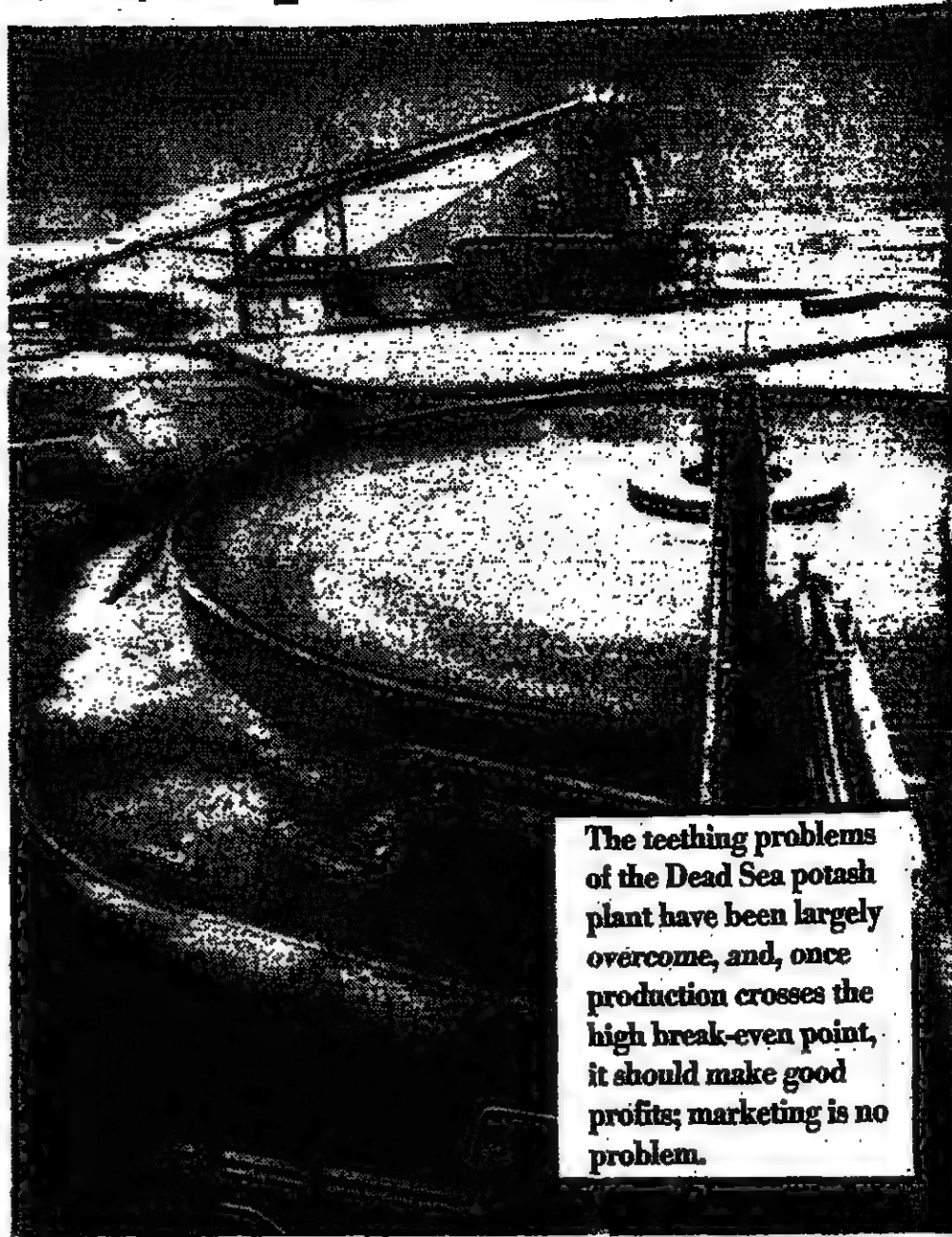
Aqaba's 12 main hotels with almost 2,000 beds are expected to be sufficient to accommodate middle-income tourists for several years, and there are no plans to construct more hotels. Camping facilities for low-income vacationers and youth groups will be included in the plan, with the proposed site including fresh water, electricity, showers, restaurants and travel agencies to cater for up to 1,000 people.

Recreation facilities for the expected increase in tourists are planned, including an amusement park for families and children to be run as a concession, and a water-sports center using pumped-in sea water from the Red Sea.

To the north of the city there will be the 1,500-hectare Prince Hamzah botanical gardens, which will include a palm forest with trees from several Arab states and a research station for arid and coastal areas, which the Region Authority hopes will be supported by Western financiers.

As the city's basic infrastructure and services already are established, the major difficulties facing the authority are organizational problems such as the poor districts of Shalleh and Halfayer, which are densely populated "slum" areas with haphazard workshops, stalls and garages. These areas, with their corrugated rooftops and random layout, not only spoil the attractiveness of the city but also waste valuable space. The construction of a 2-million-dinar housing complex for workers — a project trailing five other similar ones — will indirectly assist the Region Authority in reorganizing these districts while upgrading residential quarters to include social services, banks and commercial centers.

Aqaba is one of the fastest growing cities in the Third World, with a growth rate of nearly 6.5 percent over the past few years. The ambitious and comprehensive plans to further develop the city may put Aqaba on the map as a tourist resort and could serve as an example of how to maximize limited space.



The teething problems of the Dead Sea potash plant have been largely overcome, and, once production crosses the high break-even point, it should make good profits; marketing is no problem.

A potash refinery.

World Bank to help in identifying downstream industry from mining, and it is hoping that the 15-million-dinar foundry it is promoting in the Irbid industrial zone will form the basis of downstream engineering industries.

For the first time, also, the fund is seeing how it can help smaller industries. The Chamber of Industry's role will be more in market and product promotion. With its debts paid up, it is in a much stronger position to financially develop its research facilities and to attend foreign trade exhibitions. It recently exhibited at the Bahrain Trade Fair.

The chamber's most important task, however, will be in representing the private sector in its dealings with the government. At its first meeting with the new administration the chamber stressed the need for greater protection of local industry and for comprehensive review of regulations covering industrial licensing and tariffs. At present there is no consistency in tariff protection. Some products like bathroom fixtures, tiles, refrigerators and home appliances get 55 percent, while others none.

The chamber also asked for the removal of discriminatory preferences favoring the public sector and that it be brought more into the picture in industrial planning.

According to Isam Dbeir, the chamber's president, their ideas were well received. But in dealing with public-sector reform Mr. Muesher does not have much room for maneuver, and he will have to tread warily. Many ailing public-

sector companies in need of urgent cash injections would go under if they lost their preferential treatment. Mr. Muesher favors joint ventures with raw-material suppliers where possible and barter deals for bulk products like cement and phosphates that are difficult to market.

Quite apart from cash difficulties, restructuring the public sector is going to involve imagination and entrepreneurial flair to minimize dislocation and loss.

The South Cement Co. launched on the stock market three years ago on the crest of the boom, now is an embarrassing white elephant. Merger negotiations with the profitable Jordan Cement Co. hinge on price. But Jordan Cement is hoping to make the merger more palatable by introducing new product lines that will enable the local market to absorb 70 percent, compared with the present 50 percent of the two plants' joint 4-million-ton-per-year production.

Despite the problems faced by many public-sector companies, the industrial picture is far from gloomy. Phosphate production, up 31 percent last year at 6.2 million tons, probably has another two years of good growth. Plans for a phosphoric acid plant have been shelved but work on developing the prolific Al Shidiya phosphate deposits north of Aqaba continue.

The teething problems of the Dead Sea potash plant have been largely overcome, and, once production crosses the high break-even point, it should make good profits; marketing is no problem. The fer-

tilizer plant at Aqaba, on the other hand, incurred a loss of 10 million dinars in 1984 because of the high price of feedstock sulfur.

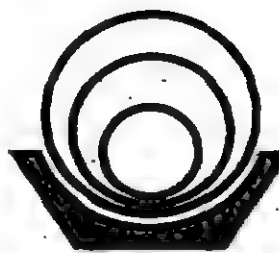
Of the 33 industrial companies that have produced their 1984 reports, 20 — almost half of the 44 quoted on the Amman Stock Exchange — have turned in profits.

Some, like the Paper and Cardboard Co., have been retaining profits for a number of years, and now, comfortably liquid, are beginning to expand. The company's chairman, Zuhair Asfour, is far from pessimistic. He maintains that the present recession is a salutary shock to the private sector. "It isn't very drastic," he said. The local banking system has the resources for investment; the only thing lacking is "knowhow," which can be bought through license or small joint-venture participation. "There are heaps of applications," he said for small and medium-sized industries.

The buoyancy of the stock market since the new government came to power tends to bear him out. But much depends on whether the authorities can create, in the words of Bassam Saket, director general of the Pension Fund, "an image of continuity" after the traumatic chopping and changing of previous administrations. For its part the private sector has been left under no misapprehension that the ball is now in its court. If the Chamber of Industry does not come forward with the proper package, Mr. Saket said, "the government will change tack."

— ALAN MACKIE

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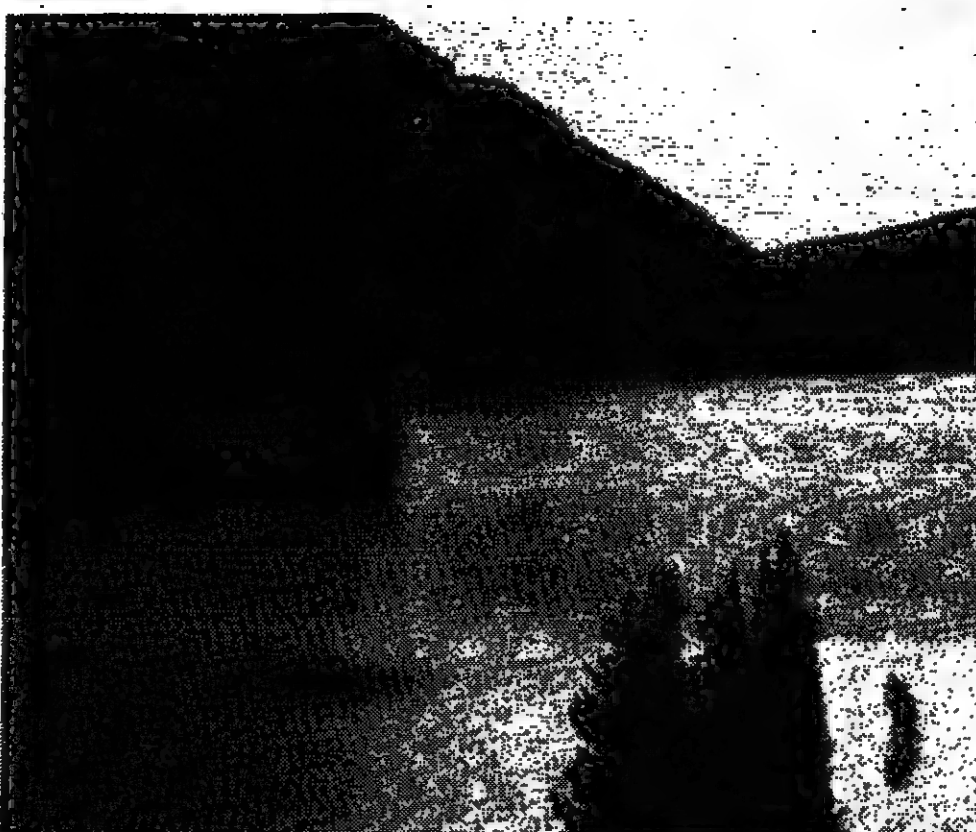
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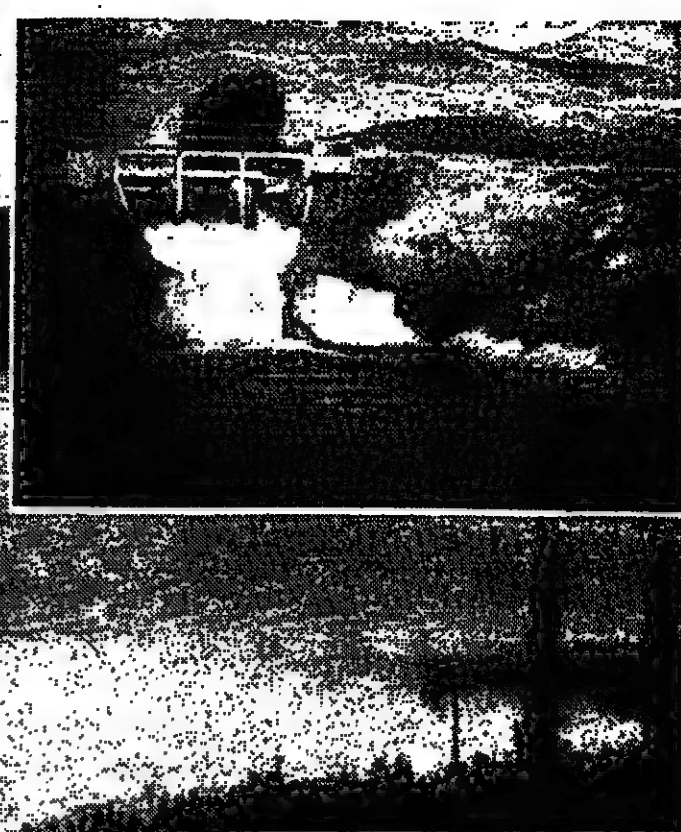
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Vegetables are grown in greenhouses in the Northern Jordan.



above left. Waters behind the King Talal Dam, northern Jordan, right, and inset, the East Ghor Canal in the Jordan Valley.



East Ghor Canal in the Jordan Valley.

Uplands Agriculture Is Given Priority in Planning as Food Import Bill Increases

By Sarah Graham-Brown

LONDON—Jordan's next five-year plan (1986-1990) is expected to make agriculture one of its major priorities, raising its share in total spending from the 7.1 percent allocated in the 1981-85 plan.

This is a measure of the government's concern at some of the long-term problems visible in the agricultural sector.

It is not so much that agriculture has been neglected, as that its de-

velopment has been lopsided. Substantial investment and foreign aid have gone into the development of the Jordan-Valley irrigation project, but relatively little has been done to assist the rain-fed agriculture of the uplands.

At the end of the 1970s, in a report on the basic needs of rural communities in Jordan, Dr. Jarir Dejjani, of Stanford University, wrote: "Although Jordan is mainly an agricultural country, the per-

centage of the population that is employed in agriculture is becoming smaller every day. In many cases, the reason behind this rural exodus is the smallness of the plots of land farmers cultivate and, thus, their inability to make a living off the land."

The drift of migrants to the urban areas has gone so far as to create labor shortages in agriculture. Alarm at this seemingly unstop-

pable trend is combined with concern at the steadily rising food-import bill over the past few years: Jordan imports about two-thirds of its food.

Furthermore, in the 1983-84 season a severe drought reduced wheat production from a 10-year average of 62,000 tons a year to a mere 10,000 tons.

In March this year, the Ministry of Agriculture announced new moves to encourage farmers in the

rain-fed areas: guaranteed prices, technical advice, and cheap seedlings for cereals, potatoes and onions.

Some critics may argue that this is too little too late, when already about half of Jordan's population lives in the Amman/Wadi Seer-

ments such as land reclamation and irrigation, farm buildings and purchases of livestock and equipment.

The cooperative development of rain-fed agriculture projects, costing \$28 million and jointly financed by the International Fund for Agricultural Development and

"lengthy procedures" involved in obtaining credit through the Jordan Cooperative.

In contrast, large-scale commercial farming has flourished, in the highlands as well as in the Jordan Valley, including production of vegetables and flowers under drip

irrigation. With a loan of \$20 million from the Arab Fund for Social and Economic Development, the authority is converting the system of open channels in the central section of the valley to pipes, to allow for drip irrigation over a further 5,500 hectares (13,624 acres).

Despite the rapid development of high-technology farming, the valley is experiencing some problems, particularly in the realm of marketing.

Some recent seasons have seen gluts of vegetables, especially tomatoes, which have sent prices plummeting, causing serious problems for less affluent farmers.

The government has gone so far as to impose fines on overproducers, and for the longer term, efforts are being made to introduce a wider range of crops and better methods of crop rotation.

It is hoped that the national research center on agricultural techniques being set up in the valley will be able to contribute to solutions to some of these difficulties, which arise from the use of high-technology farming methods.

Jordan imports about two-thirds of its food. Furthermore, in the 1983-84 season a severe drought reduced wheat production from a 10-year average of 62,000 tons a year to a mere 10,000 tons.

Peace Bid and U.S. Acceptance

(Continued From Page 10)

to crush the PLO in the Jordanian capital, Amman, and then repel a Syrian invasion of the country's northern frontier. In the ensuing years, Jordan as well as Israel became a target for Palestinian extremists who formed the notorious Black September terrorist group.

In 1974, at an Arab summit meeting in Rabat, Morocco, the PLO won approval for a resolution that effectively terminated Jordan's claim to the West Bank and Arab Jerusalem. It declared the Palestinians had a right to a "homeland" and "self-determination," and designated the PLO as their "sole legitimate representative."

An evolving rapprochement between Jordan and the PLO became firmer in 1982. The Israeli invasion that drove the PLO out of Lebanon put the Palestinian issue back on Hussein's doorstep. For Mr. Arafat, the loss of his only military base left few options other than to join King

Hussein in a practical negotiating process.

With the stage set for a full political alliance, President Reagan's September 1, 1982, peace initiative served as a catalyst. It called on Israel to return the West Bank and Gaza Strip (captured from Egypt in 1967) where a self-governing Palestinian entity would be established in association with Jordan. Israel would get peace.

King Hussein and Mr. Arafat saw the opportunity to "save" the occupied territories from permanent Israeli control. There are an estimated 42,600 Jewish residents in 114 settlements on the West Bank, and another 3,000 live in the Gaza Strip, which has 500,000 Arabs.

Since 1982, King Hussein and Mr. Arafat have talked of an eventual confederation between Jordan and the Palestinians, although the PLO insists that such a union be postponed until after the establishment of a Palestinian state.

Their developing partnership was bolstered last November

when the king hosted the 17th session of the Palestine National Council, the PLO's "parliament." He strongly reaffirmed his recognition of the PLO as the representative of the four million Palestinians living inside and outside the occupied territories, and he pledged not to enter peace talks without PLO consent.

The Hussein-Arafat approach has been fraught with dangers and complications. Jordanian officials feel the biggest threat is that PLO hardliners and even some close Arafat associates will pressure the PLO chairman to abandon the partnership as an exercise in futility and capitulation.

Radical PLO factions forced Mr. Arafat to suspend dealings with King Hussein in April 1983 when the two leaders were close to an agreed approach concerning these factions waged a Syrian-backed civil war against Arafat loyalists, costing more than 1,000 lives in eastern Lebanon and Tripoli.



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A SPECIAL REPORT ON JORDAN



Amman: Busy Hub of Nation

At left, a busy avenue in the capital and a traffic circle in a rapidly developing quarter of the city.



Nation's Historic Role as Transshipment Route Continues With Modern Means

AMMAN — The Pharaohs' armies used to cross Jordan to do battle with Mesopotamia. The Assyrians, Babylonians, Persians, Greeks and Romans all passed through. Caravans from Yemen split up into two near the modern-day port of Aqaba, to head for Syria to the north and to the Nile Valley to the west.

Their modern equivalents are still on the move although trucks, container ships and Boeing jets have replaced camels and horses. And their loads are no longer the spices and cloths of the East.

They are more likely to be goods from the north — anything from sophisticated military equipment or Iraqi oil to fresh meat from Europe and Jordanian phosphates and potash for export.

"The story of transportation in Jordan is the story of civilization here," said Adnan Abu Odeh, a senior counselor to King Hussein and a former cabinet minister.

Over the last 10 years, Jordan has invested about 800 million dinars (\$2 billion) in transportation, just over 20 percent of its investment budget for that period.

Income from transportation rose by an average 29.6 percent annually from 1975 to 1980, according to Transport Ministry officials, bringing in 91 million dinars and making up 11.2 percent of the country's gross domestic product.

Since 1980, transit through Jordanian territory has risen sharply because the Gulf war that pits neighboring Iraq against Iran.

From the start of the war in September 1980, Jordan threw its support behind Iraq, and Aqaba, on the Red Sea, became a major conduit of supplies for the Iraqi war effort as Iraqi ports became unusable because of damage or the danger of attack.

Transport Minister Farhi Obeid said that 60 percent of imports currently passing through Aqaba were destined for Iraq. He said that, in view of Jordan's decision to expand the port, Baghdad had promised to continue using its facilities once the Gulf war ends.

While Jordan's transport policy aims at improving and expanding all forms of surface transport, its national airline, Alia, provides perhaps the most prestigious example of the transport industry's growth.

The airline, whose fleet includes three Boeing 747s and nine Lockheed L-1011 Tristars, serves 40 destinations, from Los Angeles in the West to Singapore in the East.

Over the next five years, it plans to add Kuala Lumpur, Seoul, Tokyo, Rio de Janeiro and Abidjan to its international network. Alia's hub is the ultramodern, 2-year-old Queen Alia International Airport, south of Amman.

On the domestic front, Alia plans to open up routes to new airports being built at Petra, Irbid and in the Ghor Valley. These

routes, for which Alia plans to purchase small turboprop planes, are mainly aimed at the tourist market.

The airline is currently studying the European Airbus, the McDonnell Douglas MD-80 and the Boeing 757 and 767 as replacements for its Boeing 707s and 727s.

Alia made a steady profit for a decade until 1983 when it lost \$2 million at the prevailing rate of exchange. The chairman, Ali Ghandour, predicts that the 1984 figures will show another loss, but attributed this to the inauguration of routes to Singapore, Chicago and Los Angeles.

In addition to Alia, Jordan owns Arab Wings, the Arab world's only executive jet organization, which operates two Sabreliners and two Learjets.

Jordan is also a partner with Iraq in Arab Air Cargo, a purely freight line set up in 1981, which currently operates two Boeing 707s and can draw on the resources of Iraqi Airways and Alia. In 1984, it flew 457 flights, carried 14,000 metric tons and brought in \$8.8 million in revenues.

An unwelcome byproduct of the high volume of road traffic in Jordan has been the toll on the country's road system. In particular, roads leading to Iraq have been severely damaged by the increase in heavy loads.

As a result, an ambitious road-improvement plan is under way.

Around Aqaba, in the south, the government is to build a ring road to relieve congestion from the port under the next five-year plan, which begins next year. The World Bank has granted a \$30-million loan for the project.

A fast, modern four-lane highway already links Amman with the southern town of Maan, on the road to Aqaba, and serves Queen

Alia Airport. The government has earmarked work costing 107 million dinars to upgrade the country's road system by 1990.

In addition, the Public Works Ministry estimates that it needs 20 million dinars annually just for highway maintenance but complained earlier this year that it only had a 4-million-dinar allocation.

Another sector where Transport Ministry officials say they would welcome more development in railroads.

Jordan's most famous railroad is the Hijaz Line. The target of many acts of sabotage, the track featured in "Seven Pillars of Wisdom" by T.E. Lawrence, Lawrence of Arabia, an account of the 1916 Arab revolt against Turkish Ottoman rule.

The Hijaz Line was originally built by Turkey through Syria and Jordan to Saudi Arabia to carry Moslem pilgrims to Mecca and Medina.

Officials said there have been studies of ways to improve the line, only part of which is now operational, but Saudi Arabia has expressed a preference for investment in roads.

Syria, however, has embarked on a modernization program on lines leading from Turkey to Damascus and from Damascus to the Jordanian frontier, which might provide the impetus for updating other parts of the Hijaz Line, they said.

Currently, part of the line to the south of Amman is used to carry phosphate to Aqaba. The Aqaba Railway Corp., which operates the service, recently received World Bank aid to restore some 100 kilometers (62 miles) of track.

Perhaps Jordan's proudest transport achievement of recent months — at least on political grounds — has been the establishment of a ferry link from Aqaba to Nuweiba, across the Gulf of Aqaba on Egypt's Sinai coast.

The service was inaugurated on April 25, the third anniversary of Israel's return of Sinai to Egypt, by King Hussein, President Hosni Mubarak of Egypt and Sultan Qaboos of Oman.

Currently, two ships ply the three-hour crossing daily and can take trucks, buses and cars.

The service provides a passage past Israeli territory — off limits to traffic from all Arab countries except Egypt. Jordanian officials said they expected one early commercial use would be the export of Iraqi cement to Egypt, carried by trucks using the ferry.

For the ordinary Jordanian or Egyptian, the new link provides a cheap route between Amman and Cairo. Buses leave both capitals every day to link up with the ferry.

The total journey takes about 15 hours and costs 19 dinars per passenger, compared with the economy air fare of 54 dinars one way.

— JULIAN NUNDY

United States Shifting Its Role in Bid for Peace in Region

(Continued From Page 10)

conference to deal with the Middle East, even though Washington at one time strongly favored it.

Thus, the question quickly became one of whether a joint Palestinian-Jordanian delegation could be put together that would not include PLO members but that at the same time had Palestinians in the group who were recognized as being leaders in the Palestinian community. Theoretically, if the PLO met the American conditions, that would make it possible for Washington to meet with a delegation that included PLO members. But

the Israelis would not negotiate with such a group because of their refusal to deal with the PLO under any circumstances.

Mr. Shultz, in his meeting with King Hussein on May 12 and 13 sought to make it clear that it was important for him and Mr. Arafat to propose Palestinians who could deal with Palestinians issues and be acceptable to the United States and — ultimately — Israel.

The complicated questions of peace negotiations has also spilled over into direct Jordanian-American relations. For years, the Jordanians have been trying to modernize

their forces to protect themselves against possible Syrian attack and also to aid Gulf states in trouble from Islamic extremists. The United States has been willing to help, but the Congress, under strong pressure from Israeli supporters, has been adamant against any sales of advanced equipment such as F-16 fighters or new anti-aircraft missiles until Jordan agrees to negotiate directly with Israel.

Majorities in both the House and Senate have passed resolutions against arms sales to Jordan until peace talks begin, and that, in effect, has tied the administration's hands.

On the ground, Jordan's biggest transport activity is trucking. Lines of heavy goods vehicles can be seen outside the capital, on the approaches to Aqaba and at the frontier crossings with Iraq and Syria.

The Jordanian government has set up two joint trucking ventures with its neighbors, the Iraqi-Jordanian Land Transport Co. and the Jordanian-Syrian Land Transport Co. They operate 750 and 366 trucks respectively.

Altogether, more than 8,000 trucks are registered in Jordan, a country where the population is estimated at 2.5 million.

Private owners complain that the

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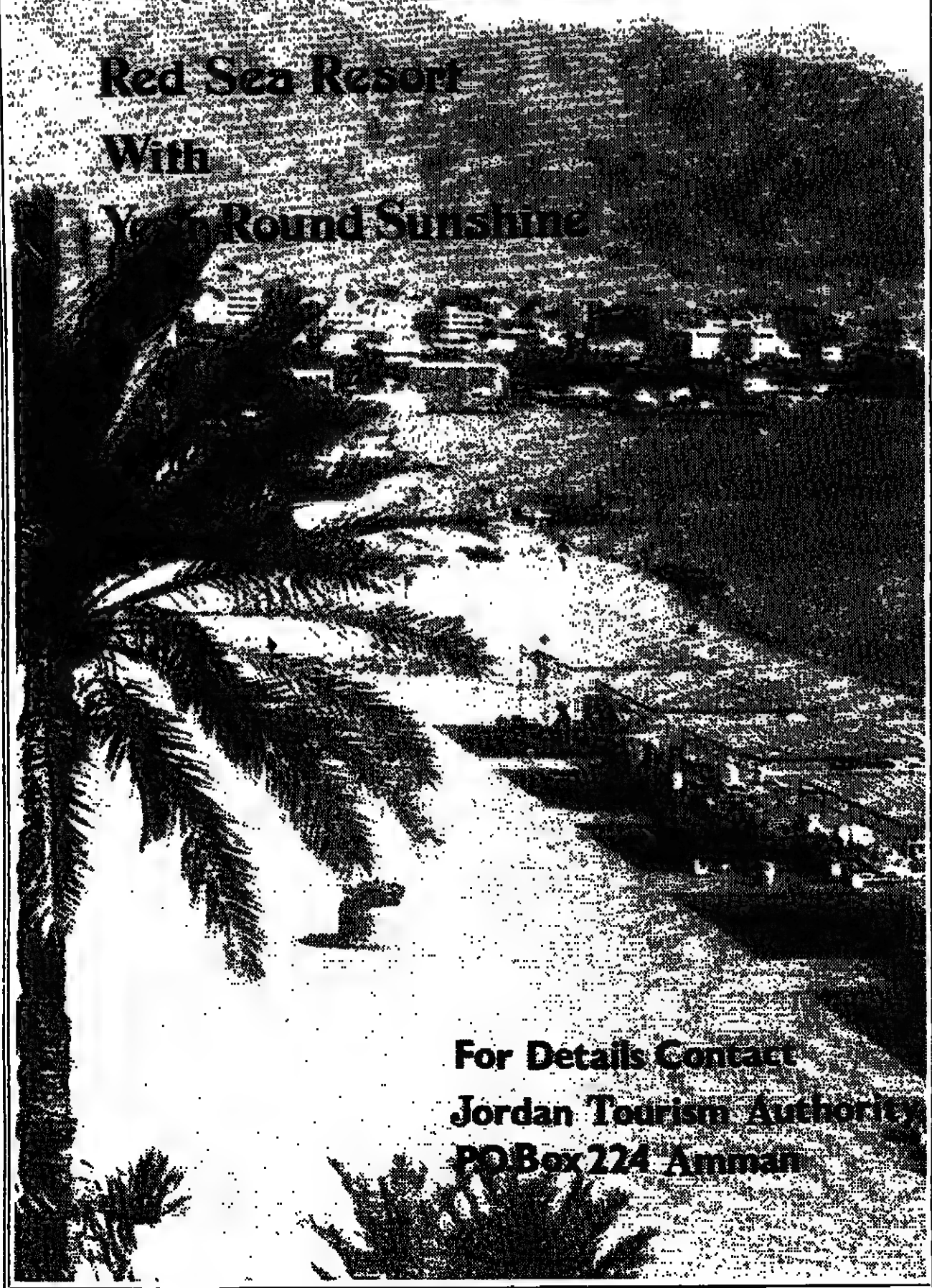
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SPORTS

Oilers Beat Flyers, 3-1;
Even Stanley Cup Final

Compiled by Our Staff From Dispatches

PHILADELPHIA — The Edmonton Oilers ended the Philadelphia Flyers' run of success against them Thursday night and headed west with the home-ice advantage in the final Stanley Cup series.

Goals by Wayne Gretzky and Willy Lindstrom, followed by an empty-net score by Dave Hunter, gave the Oilers a 3-1 victory, their first against the Flyers since Nov. 13, 1982, a span of 10 games.

"It's nice to get that burden off our shoulders," said the Oilers' Kevin McClelland, whose check on Brad Marsh behind the Flyers' net started the play that led to Lindstrom's winning shot. "We hadn't beaten them for so long. Now, things look a lot brighter."

Gretzky, who didn't even have a shot or an assist in a 4-1 loss in the opening game of the series Tuesday night, scored the first goal of the game this time, before a sellout crowd of 17,191 at the Spectrum.

"I was really bothered by some things that were written about us in the papers here after the first game," he said. "I don't mind constructive criticism, but people were writing things they know nothing about. Someone wrote that we don't have any heart."

Edmonton's coach, Glen Sather, said: "Wayne looked like he was prepared to play. I think he felt he let the team down the other night when he didn't play well. But I've never seen him play two games back-to-back poorly."

Goalkeeper Grant Fuhr needed to make only 17 saves as the Oilers outplayed the home team most of the way and evened the best-of-seven series at one game each.

The next three games will be played in Edmonton — Saturday, Tuesday and Thursday — and the Flyers certainly will recall that the New York Islanders went

west under similar circumstances a year ago and never returned to their Nassau Coliseum.

Tim Kerr produced the Flyers' only goal, creating a 1-1 tie in the second period that Lindstrom broke six minutes later. In the 24 minutes following Lindstrom's goal, the Oilers limited Philadelphia to six shots.

There was one tense moment for Edmonton, however, with 78 seconds left. Under heavy pressure from the Flyers, Oilers defenseman Paul Coffey dislodged his net. The rules in that situation call for a penalty shot, but referee Kerry Fraser shrugged his shoulders and called it an accident.

Coffey heartily agreed, saying, "It was a wrestling match with (Ron) Suter and I went to push him out of the way. It happened purely by accident."

However, Philadelphia's coach, Mike Keenan, took an opposite view. "Most definitely, I think it was a miscalculation," he said. "It was an intentional infraction by Coffey. It was called in the Stanley Cup playoffs before this year, but tonight the referee didn't see it that way. He didn't have the courage to call it."

The Flyers' meager total of 18 shots matched their season low.

"There was a great resemblance in how they played to the way we played Tuesday," Keenan said. "They were on top of the puck carrier and used a pressure-type defensive game like we played in Game 1. I don't think they've had to play too many games like that, but they've shown before that they can do it."

This was only the sixth setback in the Spectrum for the Flyers in 50 games this season and Gretzky said the key was Edmonton's ability to score first.

Each team was a man short when Gretzky scored his 50th goal in 67 playoff games. Coffey, trying to wheel in from the right-wing circle, was forced behind the net by Doug Crossman. However, Coffey managed to center the puck to Gretzky, whose point-blank shot hit the skates of both goalie Pelle Lindbergh and defenseman Mark Howe.

Lindbergh and Howe were off balance and leaning away from the net when the puck stopped behind the goalie. But Gretzky was able to skate around from behind and shoot, with Howe lunging at the last minute and getting a piece of it, although not enough to keep it out.

"We weren't the same tonight. We didn't play with the same aggressiveness," Lindbergh said. "They played better and now it's going to be tough, but we've won there and we can win there again."

The Flyers had been without a shot for about 14 minutes when they suddenly picked up offensive momentum midway through the second period. After Fuhr made tough saves on Mark Howe and Murray Craven, Kerr took Dave Poulin's pass and beat Fuhr from the slot for his 10th goal in 11 playoff games.

The Flyers briefly took over the physical domination the Oilers had had most of the night and McClelland needed treatment after he was hit hard behind the play, without a penalty call, by Ed Hospodar.

McClelland recovered quickly, however, and was back before the period ended, to board Marsh and jar the puck loose. Mike Krushelnyski picked it up in the left wing corner and fed Lindstrom, whose quick drive from the slot beat fellow Swede Lindbergh.

"I got a little smelling salts and a little water on my face and I was okay," McClelland said. "I had my head down and he's good at coming across and catching you."

"I don't mind. This was my kind of game; a lot of tight checking and grinding. We're the third line and a checking line and our job is to keep them off the scoreboard."

The Flyers' Ilkka Sinisalo was leveled by Mark Messier in the first period and departed for X-rays of his right shoulder. They proved negative and he was back on the ice before the second period ended.

The Oilers also took a big gamble, inserting rookie left wing Esa Tikkanen onto Gretzky's line in place of Krushelnyski.

It was the first game that Tikkanen played in the NHL. The 19-year-old forward from Finland was signed to a contract Monday after he was named the most valuable player of the World Junior Hockey Championships in Helsinki last month.

"I had never seen him play except in practice," Sather said. "But I pay out scouts a lot of money, and they told me he could play. We needed a lift. I've never seen us so flat. They looked like they were in a morgue on Wednesday morning. I very pleased with the way he played."

Tikkanen speaks English, but team officials would not let him speak to the media.

Asked why, the team's publicist, Bill Tuelle, said: "He's spinning like a top."



Willy Lindstrom of the Oilers, who had scored during the second period of Thursday night's game of the Stanley Cup playoffs, was checked to the ice by the Flyers' Brad Marsh (left) and Ed Hospodar during the third period.

Paris Draw
Goes Hard
On McEnroe

United Press International

PARIS — Top seed John McEnroe's back took a bad turn Friday when three Swedish players, at their best on clay surfaces, were placed in his path at the 128-man draw for the French Open Tennis Championship.

Should the seeds hold through the opening rounds, McEnroe will play 12th-seeded Henrik Sundstrom in the fourth round, 7th-seeded Joakim Nystrom in the quarterfinals and 4th-seeded Mats Wilander in the semifinals of the French Open, which begins Monday and ends June 9 on the red clay courts of Roland Garros Stadium.

Second seed and defending champion Ivan Lendl was luckier. He is scheduled to play 10th-seeded Aaron Krickstein, 8th-seeded Yelko Tselischer and 3d-seeded Jimmy Connors.

In women's singles, top seed and defending champion Martina Navratilova should have a chance to make up for recent losses to Helena Sukova and Hana Mandlikova en route to the final.

If the seedings hold, Navratilova will play the 5th-seeded Sukova in the quarterfinals and the 3d-seeded Mandlikova in the semifinals.

McEnroe lost to Sundstrom on clay during Sweden's upset victory over the United States in last year's Davis Cup final and faces the prospect of long baseline battles on the slow surface. In particular, Wilander, the 1982 French Open champion and 1983 finalist, promises a long, debilitating match before the final.

McEnroe lost the five-set final to Lendl last year after tiring.

Ward Just Grand for Rangers

United Press International

ARLINGTON, Texas — About the only thing Gary Ward could not do at Arlington Stadium Thursday night was get rid of the thousands of moths flapping around the players and fans.

Ward did, however, get rid of the Boston Red Sox in about as big a one-man performance as the Texas Rangers have enjoyed this year. He started by hitting a grand slam home run in the first inning and finished the game by scoring the winning run.

In between, he had two hits, stole a base and threw out the potential go-ahead run in the top of the ninth.

Despite all this the Rangers eked out a 7-6 decision over the Red Sox. It was Boston's eighth loss in 11 games and came with a massive swarm of moths taking advantage.

Players' Strike Authorized

New York Times Service

CHICAGO — Believing the action is necessary to induce the club owners to "begin to bargain realistically," the executive board of the Major League Baseball Players Association, as expected, voted unanimously Thursday to authorize a strike that did not set a strike date.

The board's resolution, which a majority of all 650 major league players is certain to ratify, does not enhance the chances of a strike. It simply gives the players' negotiating team an extra club to use in bargaining with the owners' representatives.

"But the owners should understand that if they leave the players no other alternative, the players will be forced to take the only alternative they have," said Donald Fehr, the association's acting executive director.

BASEBALL ROUNDUP

of a windless night to make things miserable for almost everyone.

Ward's grand slam homer, his second in the major leagues, came off Bruce Hurst after Boston had taken a 2-0 lead.

"The pitch I hit for the homer was a fast ball up and away," said Ward. "He had thrown me three fast balls that I had good swings on but had fouled off. The fourth one I got pretty good."

The Rangers had a 6-3 lead through six innings, but the Red Sox tied on four singles and a run-scoring ground ball in the seventh.

With it still 6-6 in the ninth, Wade Boggs flew to medium-deep left field with one out and Marty Barrett on third. Ward caught the

ball and rifled it to the plate just in time to catch Barrett.

Ward walked with one out in the ninth, then caught pitcher Mark Clear napping and stole second on the first pitch to Larry Parrish.

Parrish was intentionally walked and, after Pete O'Brien's deep fly out moved up both runners, Brummer was intentionally walked to load the bases. That brought up Curtis Wilkerson, who watched as Bob Ojeda was wild on four straight throws.

"I brought Bob in because I wanted him to get used to that situation," said Boston's manager, John McNamara. "It's a tough assignment."

A's 4, Orioles 2

In Oakland, California, Dave Kingman singled in the winning run in the sixth to make Tim Lincecum a winner in his first major-league start.

Blue Jays 6, Indians 5

White Upshaw's two-out, two-run single in the ninth gave Toronto its victory in Cleveland.

Mariners 6, Yankees 4

In Seattle, Ken Phelps' grand slam in the third beat New York.

Lea Likely Out for Season

Charlie Lea, the Montreal Expos' top pitcher the last two seasons, will undergo arthroscopic surgery on his damaged right shoulder and likely will not play this season. The Associated Press reported from Montreal.

There's a slim chance he could pitch in September if everything works out perfectly, trainer Ron McClain said. "But the odds are against it."

The decision to operate was made by the team's orthopedic surgeon and a date will be set in the next few days.

SCOREBOARD

Baseball

Thursday's Linecores

AMERICAN LEAGUE

Boston 9, Detroit 2; Cleveland 4, Toronto 1; Chicago 3, Milwaukee 1; Kansas City 3, St. Louis 1; Minnesota 3, New York Yankees 1; Oakland 3, Seattle 1; Texas 3, California 1; White Sox 3, Baltimore 1.

NATIONAL LEAGUE

Atlanta 3, Cincinnati 1; Houston 3, Los Angeles 1; Pittsburgh 3, Philadelphia 1; San Diego 3, San Francisco 1; St. Peter's 3, New York Mets 1; Washington 3, Montreal 1.

Major League Standings

AMERICAN LEAGUE

East Division: Toronto 22, Baltimore 21, Detroit 20, Cleveland 19, Chicago 18, Milwaukee 17, Kansas City 16, St. Louis 15, Minnesota 14, New York Yankees 13, Oakland 12, Seattle 11, Texas 10, California 9, White Sox 8, Philadelphia 7.

West Division: Oakland 22, Seattle 21, Texas 20, California 19, White Sox 18, Detroit 17, Cleveland 16, Chicago 15, Milwaukee 14, Kansas City 13, St. Louis 12, Minnesota 11, Houston 10, Los Angeles 9, San Diego 8, San Francisco 7.

NATIONAL LEAGUE

East Division: New York Mets 22, Atlanta 21, Houston 20, Cincinnati 19, St. Peter's 18, Philadelphia 17, Pittsburgh 16, San Diego 15, Los Angeles 14, San Francisco 13, Milwaukee 12, Chicago 11, Washington 10, Montreal 9, Baltimore 8, Detroit 7.

West Division: San Diego 22, Los Angeles 21, San Francisco 20, Houston 19, St. Louis 18, Cincinnati 17, Milwaukee 16, Chicago 15, New York Mets 14, Atlanta 13, Philadelphia 12, Pittsburgh 11, Washington 10, Montreal 9, Baltimore 8, Detroit 7.

Hockey

Stanley Cup Championship Series

GAME 2

Edmonton 3, Philadelphia 1

First Period: 1. Edmonton, Gretzky, 11 (Coffey); 2. Philadelphia, Coffey, 10 (Lindstrom); 3. Edmonton, Gretzky, 12 (Coffey); 4. Philadelphia, Coffey, 13 (Lindstrom); 5. Edmonton, Gretzky, 14 (Coffey); 6. Philadelphia, Coffey, 15 (Lindstrom); 7. Edmonton, Gretzky, 16 (Coffey); 8. Philadelphia, Coffey, 17 (Lindstrom); 9. Edmonton, Gretzky, 18 (Coffey); 10. Philadelphia, Coffey, 19 (Lindstrom); 11. Edmonton, Gretzky, 20 (Coffey); 12. Philadelphia, Coffey, 21 (Lindstrom); 13. Edmonton, Gretzky, 22 (Coffey); 14. Philadelphia, Coffey, 23 (Lindstrom); 15. Edmonton, Gretzky, 24 (Coffey); 16. Philadelphia, Coffey, 25 (Lindstrom); 17. Edmonton, Gretzky, 26 (Coffey); 18. Philadelphia, Coffey, 27 (Lindstrom); 19. Edmonton, Gretzky, 28 (Coffey); 20. Philadelphia, Coffey, 29 (Lindstrom); 21. Edmonton, Gretzky, 30 (Coffey); 22. Philadelphia, Coffey, 31 (Lindstrom); 23. Edmonton, Gretzky, 32 (Coffey); 24. Philadelphia, Coffey, 33 (Lindstrom); 25. Edmonton, Gretzky, 34 (Coffey); 26. 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ART BUCHWALD

That Will Teach 'em

WASHINGTON — As part of the Justice Department's unending war against corporate crime, a new facility has just been built to deal with serious offenders.

I was taken on a tour by an assistant attorney general for corporate crime, who was quite proud of the place.

He took me into the receiving area, which turned out to be a beautifully furnished lobby with leather chairs and couches and a TV set.

"This is where we ask the defendants to wait while we are negotiating a plea bargaining session with their lawyers."

"It's nice of you to provide a waiting room for them."

"Just because a man has committed a corporate crime is no reason why he can't be comfortable."

"How long do you keep him in the pen?"

"It depends. If the guy wants to plead guilty and go along with the Justice Department's recommendations on punishment, we'll let him out in a couple of hours. But if he's going to play hardball and try to get off lightly, we'll keep him in here until he misses his business lunch."

"I had heard your corporate criminal division was tough, but I never thought you'd make someone miss a business lunch."

"World's Strongest Beer" Is Brewed by Briton

United Press International

LONDON — A British pub owner claims that in 3½ years of experiencing he has produced the world's strongest beer — about one-quarter the strength of whiskey.

Roger Nowell, owner of the Frog and Parrot pub in the northern city of Sheffield, said Thursday that his concoction, which he calls "Roger and Out," is so strong he calls it only by the half pint and limit his customers to three glasses. "Did it as a service to my customers, who like good strong beer at a sensible price," he said.

All the leather chairs were taken. "Is that man in the pin-striped suit over there a white-collar criminal?"

"No," he replied. "That's his lawyer. The other fellow in a pin-striped suit is the criminal. The toughest thing about prosecuting corporate crime is you can't tell the defendants from the lawyers."

My guide pointed over to a large sign on the wall. "That's our rate card for each white-collar crime. We put it up there so the defendants can study it while waiting to see a Justice Department attorney."

"The rates seem very reasonable," I said.

"We try to keep them low so we don't have to go to trial," he said. "It's to our advantage to settle out of court and save the taxpayer money."

"What did that guy reading The Wall Street Journal over there do?"

"He's a contractor and we have 540 counts against him for overcharging the Defense Department \$10 million for missile parts."

"He doesn't seem very worried."

"He better be. We're going to fine his company \$5,000."

"Will he pay it?"

"He will if he doesn't want a long, drawn-out trial with a lot of publicity. We don't fool around here."

"Okay, so let's say he agrees to pay the \$5,000. Then what happens?"

My guide led me into a quiet carpeted room. "After the defendant agrees to plead guilty and pay his fine we bring him in here and make him swear on this Bible that he will never do it again."

"Do what again?"

"Commit a corporate crime."

"And that's it?"

"Not by a long shot," he said.

"Over here is where the real punishment is meted out. You see this wooden block? Well, every person who pleads guilty has to put his hand on the block. Then the attorney general or one of the assistants slaps him on the wrist."

"Is it painful?"

"Put your hand up here and find out for yourself."

I did and he slapped my wrist as hard as he could. "Did it hurt?" he asked me.

I thought about it for a moment and then said, "Ouch."

Roger Moore's 007 Meets Grace Jones

By Robert Hilburn
Los Angeles Times Service

LOS ANGELES — Grace Jones was hours late for the shooting of a new Honda motor scooter commercial. Her manager, Bob Cavanaugh, was apologetic, blaming unexpected complications. Please be patient, he advised.

But the folks from the ad agency were nervous. Millions were riding on this campaign to erase the old notion that these shiny new scooters were just for nerds.

The commercial was scheduled to coincide with "A View to a Kill," the James Bond movie released Friday in the United States, which exposes Grace Jones to an entirely new public.

Jones, long known in pop and photography modeling circles for her flesh 'n' fantasy escapades, plays May Day, described in the press kit as "a woman who commits herself to murder and love-making with equal amounts of passion."

If that sounds like a healthy dose of good 007 fun, the Honda set certainly provided no parallel emotion. As the hours crawled by without a sign of Jones, the film crew turned to jokes to combat the boredom caused by this apparent prima donna.

Finally, four hours after the shoot was to have begun, Jones swept into the room, in a black leather jacket (no blouse) and matching pants. Sitting atop a bright red scooter, she released her lines a couple of times, then read them for the camera.

She fixed her penetrating eyes in a cold stare that would make a charging mountain lion reassess the situation. Her novel hairstyle — resembling both a golf tee and an old-fashioned bellman's cap — suggested a limitless danger.

The takes went marvelously — the crew, ad men and agency reps burst into applause.

Despite her late arrival, Jones took control and charmed everyone in the process. She joked with crew members between takes and was willing to do the scene any way the director suggested.

"Most performers take themselves too seriously," she said late that night, when the commercial was done. "They forget there is a difference between the characters they play on the screen or stage and themselves, but the public doesn't forget there is a difference. They see how silly it is if you try to be the same person all the time."

Of her own outspoken manner and striking image, she added: "As a little child, I wasn't allowed to do anything." She was raised by grandparents in Jamaica, who, she said, were very strict: "no television, no radio, no movies, nothing. I wasn't even allowed to straighten my hair or wear open-toed shoes. They thought I was being too worldly."

"I didn't even have a sense of who I was except the daughter of this person and the niece of that one. Even when I moved to Syracuse [New York] to live with my



"Most performers take themselves too seriously."

parents when I was 13, I had to go by strict rules. I decided when I left home I was going to be completely free and find out who I am. I've been searching ever since. The one thing I told myself: Never compromise."

Jones, who is in her early 30s, first gained attention as a model in Paris. Then she was hailed as a pop performer who came up with such seductive disco-new wave songs as "Pull Up to the Bumper."

Her main career goal, however, has always been films. "I loved all those classic figures from the '30s and '40s — Bette Davis, Joan Crawford, Humphrey Bogart, Rita Hayworth. They had such

glamour and style. I loved the movies of those times too — so much attention paid to details, lights, clothing, the way the studios would develop talent. There's just not that care anymore in Hollywood."

Jones recognized early that she was good at attracting attention. "The more different you looked, the more attention people would pay to you. Being different came to me naturally. Besides, I was different by the time I got to Syracuse. I had this funny accent and I was from Jamaica."

"I saw that people were fascinated by my accent. But that's just me. It's something that comes from my grandfather. He's 95, and I was in Jamaica for his birthday and people are afraid to approach him. I don't need you to stroke me, I'm like that too."

Though she had her first major role in "Conan the Destroyer" last year, Jones — a big Bond fan herself — had already landed the part in the Bond movie. In fact, the co-producer, Albert R. Broccoli, had been after her for some time, but her schedules didn't work out, she said.

"They were looking for real muscular women for the Bond girls, these body-building types, but Mr. Broccoli said they were just a bunch of muscle, really ugly. I had the right amount of muscles and feminine qualities."

She added with a laugh, "I looked believable, like I could kill."

The transition from pop music to films is a difficult one that even Mick Jagger and David Bowie still haven't fully mastered.

"When you become such a strong personality in music, it's hard for people to accept you as a different character," she said.

"The difference in my case is I always did theater. I always did acting with my music. I wasn't there with a band, jumping up and down on the stage. I was a character who happened to sing."

An album for Manhattan Records is due this fall, and she may tour late in the year. Meanwhile, she is considering several more film offers.

"I feel very good about my career because I've never had to compromise," she said. "I believe in individuality, that everybody is

PEOPLE

Peter Sellers's Ex-Wife Wins Damages for Film

The actress Lynne Frederick was awarded \$1 million in damages on her claim that the movie, "Trail of the Pink Panther," insulted the memory of her late husband, the actor Peter Sellers. But the High Court in London refused to grant the request by Frederick, now 29 and married to a Los Angeles surgeon, for an injunction against further showing of the film. The film used discarded clips from the five previous Pink Panther films, in which Sellers starred as the bumbling Inspector Clouseau. It was released in October 1982, two years after Sellers died. The movie was made by United Artists, the director Blake Edwards and Lakeline Productions, which is owned by Edwards' wife, the singer Julie Andrews.

Wolf-Dieter Hauschild, the East German conductor, has announced he will remain in West Germany. In a statement released by the Stuttgart municipal press office, he said he decided not to return to Leipzig because the East German government broke its promise to let him travel back and forth to Stuttgart, where he is scheduled to be the leading guest conductor of the Stuttgart Philharmonic orchestra. Hauschild, 49, is head conductor of the Leipzig Radio orchestra and the Leipzig Radio choir. He was also chosen as musical director at the performance of Weber's "Der Freischütz" in February for the reopening of Dresden's Semper opera house, 40 years after it was destroyed in air raids. The San Francisco Opera announced that Britain's Sir John Pritchard, chief conductor of the British Broadcasting Corporation Symphony Orchestra, has been named the opera's first music director. Pritchard, an authority on Mozart, is also chief conductor of the Cologne Opera and music director of the Théâtre Royal de la Monnaie in Brussels.

The test pilot Chuck Yeager says he isn't quite sure what "The Right Stuff" is, but he was one of 12 people, including Frank Sinatra, James Stewart and James Kirkpatrick, to receive the Presidential Medal of Freedom from President Ronald Reagan. A 15th recipient, Mother Teresa, was unable to attend and will receive her medal later.

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